UNITED STATES DISTRICT COURT
DISTRICT OF SOUTH CAROLINA

IRWIN J. LIPTON, Derivatively on Behalf of WORLD ACCEPTANCE CORPORATION, Plaintiff, v. A. ALEXANDER MCLEAN, III, JOHN L. CALMES, JR., KELLY M. MALSON, MARK C. ROLAND, JAMES R. GILREATH, CHARLES D. WAY, KEN R. BRAMLETT, JR., SCOTT J. VASSALLUZZO, and DARRELL E. WHITAKER, Defendants, -and- WORLD ACCEPTANCE CORPORATION, a South Carolina corporation, Nominal Defendant.	Civil Action No. 6:15-cv-02796-MGL JURY TRIAL DEMANDED

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

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By and through his undersigned counsel, Plaintiff Irwin J. Lipton ("Lipton" or "Plaintiff") brings this shareholder derivative action on behalf of Nominal Defendant World Acceptance Corporation ("World Acceptance" or the "Company") against certain current and/or former officers and directors of the Company for violations of South Carolina law, including breaches of fiduciary duties, insider selling and misappropriation of information, unjust enrichment, corporate waste, and aiding and abetting thereof, from at least January 30, 2013 to the present (the "Relevant Period"). Plaintiff makes these allegations upon personal knowledge as to those allegations concerning Plaintiff and, as to all other matters, upon the investigation of counsel, which includes, without limitation: (a) review and analysis of public filings made by World Acceptance and other related parties and non-parties with the U.S. Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and other publications disseminated by certain of the defendants and other related non-parties; (c) review of news articles, shareholder communications, and postings on World Acceptance's website concerning the Company's public statements; (d) pleadings, papers, and any documents filed with and publicly available from the related pending securities fraud class action, *Epstein v. World Acceptance Corporation, et al.*, Civil Action No. 6:14-cv-01606-MGL (the "Securities Class Action"); and (e) review of other publicly available information concerning World Acceptance and the Individual Defendants (defined below).

I. NATURE AND SUMMARY OF THE ACTION

1. World Acceptance is a small-loan consumer finance business that specializes in sub- "subprime" lending. The Company offers short- and medium-term installment loans (i.e., ranging from four to 42 months), marketing those loans and related credit insurance and ancillary products and services in more than 1,200 branch offices in 14 states as well as Mexico. World Acceptance targets its products to customers with credit scores as low as 400

— well below the floor for "subprime" credit scores. In other words, the Company preys on consumers who have no other place to turn for financial help. While World Acceptance provides these consumers with financing, it comes at a steep price. The Company's loans typically carry exorbitant interest rates which are set near or at the maximum allowable limit under applicable law.

2. During the Relevant Period, World Acceptance routinely boosted its effective interest rates through two devious, but extremely profitable practices. First, the Company's customers were bilked into purchasing worthless credit insurance products that only benefitted the Company, but were paid for by the borrowers.

3. Second, the Company's borrowers were locked into an endless cycle of debt by being constantly manipulated into refinancing their loans, even before they had paid back a significant portion of their outstanding balance. Such renewals comprised as much as 75% of the Company's loan portfolio during the Relevant Period. Through this practice, the Individual Defendants were able to create the perception of significant loan growth, which as the Individual Defendants stated, was their "number-one priority." However, as the Individual Defendants later revealed, they were improperly accounting for many of those renewals in violation of Generally Accepted Accounting Principles ("GAAP"). Indeed, while World Acceptance was accounting for small-dollar loan renewals as new loans, such renewals should actually have been accounted for as "modifications." Through this accounting machination, the Individual Defendants improperly inflated their loan growth and loan volume to the market, which closely followed these key metrics in assessing World Acceptance stock.

4. The truth about the Individual Defendants' illicit lending practices and improper accounting began to emerge on July 25, 2013. On that date, the Individual

Defendants caused the Company to hold a conference call with analysts to discuss the Company's first quarter 2014 financial results and recently filed amended fiscal 2013 Form 10-K, in which they admitted that there had been a "material weakness" in World Acceptance's accounting treatment of small-dollar loan renewals. The Individual Defendants explained that such small-dollar renewals, which comprise between 15% and 25% of the Company's entire loan renewal portfolio, were improperly being recorded as "renewals" instead of "modifications," in violation of GAAP, and that remedial actions would be required.

5. However, the Individual Defendants downplayed numerous analyst inquiries, falsely reassuring investors that the "material weakness" would ***not*** "have a significant impact on the overall operations of the company" moving forward. As a result of its July 25, 2013 revelations, World Acceptance's share price dipped 4.3%, causing millions in investor losses and in market capitalization loss to World Acceptance. This stock drop would have been even greater, however, but for the Individual Defendants' misleading assurances.

6. The Individual Defendants could only hide the truth regarding their illicit practices for so long. Indeed, on March 13, 2014, additional information emerged when the Individual Defendants caused the Company to reveal to the market that World Acceptance was the subject of a federal investigation by the Consumer Financial Protection Bureau ("CFPB" or the "Bureau") regarding potential "unlawful acts or practices in connection with the marketing, offering, or extension of credit in violation of" federal consumer financial laws such as the Consumer Financial Protection Act and the Truth in Lending Act. As a result of this revelation regarding the U.S. government's investigation into the Company's marketing and lending practices, World Acceptance's stock price sank almost 20%, from a close of $97.32 on March 12, 2014 to a close of $78.25 on March 13, 2014, erasing millions more in market

capitalization. However, as was the case previously, the Individual Defendants continued to downplay this additional negative news to the market thereby buoying World Acceptance's stock price with false assurances as to the propriety of its marketing and lending practices.

7. Then, on April 29, 2014, the truth regarding World Acceptance's illicit lending practices and accounting manipulation was finally and fully revealed as the Individual Defendants caused the Company to announce first quarter 2015 earnings. Indeed, on that day the Individual Defendants revealed that they had changed their corporate policy to no longer "encourage" small-dollar renewals. As a result of this correction, World Acceptance posted its lowest quarterly loan growth in at least nine years. Through this disclosure, the Individual Defendants implicitly acknowledged that through their prior practices, they had manipulated consumers who had barely repaid their loan balances into renewals to artificially boost World Acceptance's loan growth and volume.

8. Moreover, the Individual Defendants' announcement revealed that, contrary to their initial assurances, the previously disclosed "material weakness" had, in fact, materially impacted the Company's operations in that, during the Relevant Period, reported loan volume and loan growth figures had been artificially inflated as a result of World Acceptance's faulty accounting methods for small-dollar renewals.

9. The market's reaction to this revelation was swift and severe as investors sent the Company's stock price spiraling downward approximately another 10%, falling from a close of $80.50 on April 28, 2014 to a close of $72.60 on April 30, 2014, resulting in millions of dollars in additional market capitalization loss to the Company. All told, World Acceptance saw its market capitalization shrink by ***more than $250 million*** during the Relevant Period between

January 30, 2013 and April 29, 2014. The Company's stock price has continued its downward trajectory, closing at just $59.77 per share on July 14, 2015.

10. Of course, not everyone was harmed by the Individual Defendants' actions. Specifically, during the Relevant Period, in just a 12 month period of time between February 1, 2013 and February 5, 2014, certain of the Individual Defendants ***sold 326,953 World Acceptance shares at inflated prices reaping almost $29 million in proceeds.*** These sales were made at the same time the Individual Defendants ***were causing*** the Company to repurchase millions of shares of its own stock at inflated prices. Specifically, between February 2013 and February 2014 — the same time period many of the Individual Defendants were unloading shares and reaping millions in proceeds, the Individual Defendants caused the Company ***to purchase more than 2,000,000 shares*** of its own stock ***for a total of $188,518,361 at inflated prices ranging from a weighted average of $77.53 per share to as high as $102.89 per share***.

11. World Acceptance's Board of Directors (the "Board") has not commenced, and will not commence, litigation against the Individual Defendants named in this Complaint, let alone vigorously prosecute such claims, because, among other things, a majority of the members of the Board are directly interested in the personal financial benefits challenged herein that were not shared with World Acceptance shareholders, and/or face a substantial likelihood of liability to World Acceptance for breaching their fiduciary duties of loyalty and good faith by authorizing or failing to correct the false and misleading statements alleged herein, and/or lack independence. Accordingly, a pre-suit demand upon World Acceptance's Board was and is a useless and futile act. Thus, Plaintiff rightfully brings this action to vindicate World Acceptance's rights against its wayward fiduciaries and hold them responsible for the damages they have caused to World Acceptance.

II. JURISDICTION AND VENUE

12. Jurisdiction is proper under 28 U.S.C. § 1332. Complete diversity exists between Plaintiff and defendants. Further, the amount in controversy exceeds the sum or value of $75,000, exclusive of interest and costs. This action is not a collusive action designed to confer jurisdiction on a court of the United States that it would not otherwise have.

13. Venue is proper in this district under 28 U.S.C. § 1391 because: (a) World Acceptance maintains its principal executive offices in this district; (b) one or more of the Defendants reside(s) in this district; (c) a substantial portion of the transactions and wrongs complained of herein — including the Individual Defendants' primary participation in the wrongful acts — occurred in this district; and (d) the Individual Defendants have received substantial compensation in this district by doing business here and engaging in numerous activities that had an effect in this district.

14. In connection with the acts and conduct alleged herein, defendants, directly and indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the United States mails, interstate telephone communications, and the facilities of the national securities exchanges and markets.

III. THE PARTIES

15. Plaintiff Lipton is a current shareholder of World Acceptance and has continuously held World Acceptance stock since 1999. Plaintiff is a citizen of Pennsylvania.

16. Nominal Defendant World Acceptance is a South Carolina corporation with principal executive offices located in Greenville, South Carolina. World Acceptance operates a small-loan consumer finance business in 14 states and Mexico. The Company's common stock is traded on the NASDAQ Capital Markets under the ticker symbol "WRLD." As of July 15, 2015, the Company has approximately 9 million shares outstanding.

17. Defendant A. Alexander McLean, III ("McLean") is World Acceptance's Chairman of the Board and Chief Executive Officer ("CEO"). He has served as CEO since March 2006 and as Chairman of the Board since August 2007. Defendant McLean started with the Company in June 1989 as a Vice President and, since that time, has risen through the ranks as a Senior Vice President, Chief Financial Officer ("CFO"), Principal Accounting Officer, and Executive Vice President. McLean is a defendant in the Securities Class Action. Between February 20, 2013 and March 5, 2013, while in possession of material, adverse, non-public information, McLean disposed of 25,000 shares of his personally-held World Acceptance common stock for proceeds of approximately $2 million at artificially inflated prices. McLean received $10,908,020 in total compensation from World Acceptance in 2013, $837,997 in total compensation from World Acceptance in 2014, and $1,067,187 in total compensation from World Acceptance in 2015. McLean is a citizen of South Carolina.

18. Defendant John L. Calmes, Jr. ("Calmes") currently serves as World Acceptance's Vice President, CFO, and Treasurer. He has held these positions since December 2013. Calmes is a defendant in the Securities Class Action. Calmes received $1,920,792 in total compensation from World Acceptance in 2014 and $327,592 in total compensation from World Acceptance in 2015. Calmes is a citizen of South Carolina.

19. Defendant Kelly M. Malson ("Malson") was World Acceptance's Senior Vice President, CFO, and Treasurer from May 2006 until her departure from the Company in December 2013. Malson is a defendant in the Securities Class Action. Malson received $4,750,300 in total compensation from World Acceptance in 2013 and $292,900 in total compensation from World Acceptance in 2014. Malson is a citizen of South Carolina.

20. Defendant Mark C. Roland ("Roland") was World Acceptance's President and Chief Operating Officer ("COO") until his resignation from the Company in November 2013. He had been with the Company since at least 1996. According to the Company's 2014 Proxy, under the separation agreement Roland entered into with the Company, the Company agreed to pay Roland a severance payment equal to six months of his then-current base salary in the gross amount of $183,341, and to convey to him the title to his Company vehicle, valued at $29,296. The severance agreement also provided that Roland be entitled to exercise all stock options that vested prior to November 1, 2013 for a period of one year, not to exceed the expiration date of such options. On February 1, 2013 and May 22, 2013, respectively, while in possession of material, adverse, non-public information, and while still employed as an executive officer by World Acceptance, Roland disposed of 9,258 shares of his personally-held World Acceptance common stock for proceeds of approximately $740,000 at artificially inflated prices. Roland is a defendant in the Securities Class Action and is a citizen of South Carolina.

21. Defendant James R. Gilreath ("Gilreath") has served as a director of the Company since April 1989. During the Relevant Period, Gilreath served as both the Chairman and as a member of the Board's Nominating and Corporate Governance Committee (the "Governance Committee"). On January 30, 2014, while in possession of material, adverse, non-public information, Gilreath sold 6,000 shares of his personally-held World Acceptance common stock for proceeds of $585,000 at artificially inflated prices. Gilreath is a citizen of South Carolina.

22. Defendant Charles D. Way ("Way") has served as a director of the Company since September 1991. During the Relevant Period, Way was the Chairman of the Board's Audit and Compliance Committee (the "Audit Committee") and was a member of the Compensation and Stock Option Committee ("Compensation Committee"). On August 14, 2013, while in

possession of material, adverse, non-public information, Way sold 6,000 shares of his personally-held World Acceptance common stock for proceeds of $519,240 at artificially inflated prices. Way is a citizen of South Carolina.

23. Defendant Ken R. Bramlett, Jr. ("Bramlett") has served as a director of the Company since October 1993. During the Relevant Period, Bramlett was the Chairman of the Board's Compensation Committee and was a member of the Audit Committee. On August 20, 2013 and February 5, 2014, respectively, while in possession of material, adverse, non-public information, Bramlett sold a total of 6,000 shares of his personally-held World Acceptance common stock for total proceeds of $538,500 at artificially inflated prices. Bramlett is a citizen of North Carolina.

24. Defendant Scott J. Vassalluzzo ("Vassalluzzo") has served as a director of the Company since August 2011. During the Relevant Period, Vassalluzzo was a member of the Board's Compensation Committee and Nominating and Corporate Governance Committee. During the Relevant Period, Vassalluzzo served as a managing Member of Prescott General Partners LLC ("PGP"), an investment adviser registered with the SEC. PGP serves as the general partner of three private investment limited partnerships, including Prescott Associates L.P. (together, the "Prescott Partnerships"). According to the Company's 2015 Proxy, "[t]he Prescott Partnerships have been shareholders of the Company for 22 years" and Vassalluzzo, through his association with the Prescott Partnerships, combined with shares beneficially owned for his own account, may be deemed to beneficially own approximately 19.8% of the Company's shares. On February 20, 2013, May 6, 2013, and May 8, 2013, respectively, while in possession of material, adverse, non-public information, Vassalluzzo sold or caused to be sold by the Prescott

Partnerships a total of 248,695 shares of World Acceptance common stock for total proceeds exceeding $22 million at artificially inflated prices. Vassalluzzo is a citizen of Florida.

25. Defendant Darrell E. Whitaker ("Whitaker") has served as a director of the Company since May 2008. During the Relevant Period, Whitaker served as a Chairman and as a member of the Board's Nominating and Corporate Governance Committee and as a member of the Audit Committee. On February 7, 2013, while in possession of material, adverse, non-public information, Whitaker sold 1,000 shares of his personally-held World Acceptance common stock for total proceeds of $77,370 at artificially inflated prices. Whitaker is a citizen of South Carolina.

26. Defendants identified in ¶¶17-25 are sometimes referred to herein as the "Individual Defendants."

27. Defendants identified in ¶¶17, 21-25 are sometimes referred to herein as the "Director Defendants."

28. Defendants identified in ¶¶17-20 are sometimes referred to herein as the "Officer Defendants."

29. Defendants identified in ¶¶22, 23, and 25 are sometimes referred to herein as the "Audit Committee Defendants."

30. Defendants identified in ¶¶17, 20-25 are sometimes referred to herein as the "Insider Selling Defendants."

31. As directors and/or officers of World Acceptance, the Individual Defendants either knew, consciously disregarded, were reckless and grossly negligent in not knowing or should have known the adverse, non-public information about World Acceptance's business, operations, prospects, internal controls, and financials, including the Company's illicit lending

practices and accounting manipulation, because of their access to internal corporate documents, conversations and connections with one another as well as other corporate officers and employees, attendance at Board meetings, and committee meetings thereof, as well as reports and other information provided to them in connection therewith. The Individual Defendants either participated in, caused, failed to correct, and/or failed to take action to remedy the harm inflicted upon World Acceptance through, *inter alia*, the issuance of the improper statements disseminated via press releases, SEC filings, and other means to the press, securities analysts, and World Acceptance stockholders.

IV. FACTUAL ALLEGATIONS[1]

A. Company Background

32. World Acceptance, headquartered in Greenville, South Carolina, operates a small-loan consumer finance business with branch offices in 14 states as well as in Mexico. The Company offers short-term loans, medium-term larger loans, and related credit insurance and ancillary products and services to individual consumers, including tax return preparation services in the U.S.

33. commercial banks and credit unions typically make loans of more than $5,000 with maturities greater than one year. By contrast, small-loan consumer finance companies like World Acceptance generally extend loans of up to $1,500 with maturities of one year or less. The standardized installment loans World Acceptance offers generally fall between $300 and $4,000 in value, payable in fully amortizing monthly installments with terms ranging from four to 42 months. In fiscal 2014, the Company's average originated gross loan size and term were $1,330 and 13 months, respectively.

[1] All emphasis is added unless otherwise noted.

34. World Acceptance concentrates its U.S. business in the south and midwest. As of March 31, 2014, the Company operated 1,271 branch offices scattered throughout Alabama, Georgia, Illinois, Indiana, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, Texas, Tennessee, Wisconsin, in addition to Mexico. That number increased to 1,320 branch offices scattered throughout the same states (and Mexico) with additional branch offices located in Idaho, as of March 31, 2015. Depending on the state and location, branch offices may operate under any of the following business names: World Acceptance Corporation, World Finance, World Finance Corporation, Amicable Finance Company, Capitol Loans, Colonial Finance Company, Freeman Finance Company, General Credit Company, Local Loans Company, Midwestern Financial, Midwestern Loans Inc., Peoples Finance Company, and Personal Credit Plan. As of March 31, 2014, the Company had 3,651 employees in the U.S., with that number decreasing to 3,586 employees in the U.S. as of March 31, 2015.

35. World Acceptance has rapidly expanded over the past 10 years, more than doubling its branch office count from 579 at the close of fiscal 2005 to 1,279 at the close of fiscal 2014. The Company opened 69 new offices during fiscal 2014 and has plans to add another 70 in fiscal 2015: 50 new offices in the U.S., plus another 20 offices in Mexico. Fiscal 2014 revenues were split between the U.S. and Mexico approximately 92% and 8%, respectively. The split for fiscal 2013 was 93% and 7%.

36. By the close of fiscal 2014, World Acceptance boasted a loan portfolio in excess of 956,000 loans valued at more than $1.1 billion. The Company has increased its gross loans receivable at a 10.6% annual compounded rate over the last five years, from $671.2 million in March 2009 to $1.1 billion in March 2014. Revenues surpassed $617 million in fiscal 2014, a

nearly 6% jump year-over-year compared to fiscal 2013. Net income likewise increased from roughly $104 million in fiscal 2013 to $106.6 million in fiscal 2014.

B. The Individual Defendants Build World Acceptance into a Thriving Business By Preying on Those in Desperate Need of Financial Assistance — Including the Men and Women Serving in the U.S. Armed Forces

37. World Acceptance specializes in sub-"subprime" lending. FICO credit scores range between 300 and 850; generally, the higher the credit score, the lower the risk to lenders. Scores above 620 are generally considered acceptable, with scores above 680 and 740 considered "good" and "excellent," respectively. "Subprime" credit scores fall between 550 and 620. According to FICO statistics, about 7% of consumers have credit scores below 550, which is considered "poor" and will generally result in a rejection of credit. However, where nearly every other lender says "no," World Acceptance says "yes." Indeed, the typical World Acceptance customer has nowhere to turn for financial help other than short-term lenders such as World Acceptance. The Company generally serves individuals with limited access to other sources of credit from commercial banks, credit unions, credit card lenders, or other consumer finance businesses. Its customers by and large are low income consumers with bad credit, little educational background, and very limited financial resources. In particular, the Company preyed on individuals of modest financial means or who were facing desperate situations, including those who had lost their jobs or were between jobs, and the elderly and disabled who lived on fixed incomes such as retirement, social security, or disability benefits. In fact, the Company's branch offices often are strategically located in small towns, rural settings, areas generally devoid of major industry, or near military bases. World Acceptance typically leases small store fronts in local strip malls, staffed with just a few employees — perhaps a Customer Service Representative, an Assistant Manager, and a Branch Manager — in a minimalist office setting. Oftentimes World Acceptance opens its branch offices right across the street from, or even

directly next door to, a competing installment or payday lender. With the same target audience, these lenders thrive on repeat customers bouncing between different competitors to take out as many loans as possible.

38. Aside from targeting those is desperate need due to financial hardship, the elderly, and those with disabilities, the Company also targets men and women serving in the U.S. military. In fact, World Acceptance branch offices can be readily found in the areas immediately surrounding military bases in the states in which the Company operates.

39. By way of example:

- Fort Hood, one of the largest U.S. Army bases in the country, is located in Killeen, Texas. During the Relevant Period, World Acceptance operated three separate branch offices in Killeen proper and another five offices in neighboring towns Harker Heights, Gatesville, Copperas Cove, and Temple, all within approximately 20 miles of Killeen.
- Fort Jackson is another major U.S. Army installation, located in Columbia, South Carolina. During the Relevant Period, World Acceptance operated eight branch offices in and around Columbia.
- U.S. Army base Fort Campbell is located on the Kentucky-Tennessee border, and during the Relevant Period, and the Company operated five branch offices within 12 miles of the base.
- Additionally, during the Relevant Period, the Company operated four branch offices in Columbus, Georgia within eight miles of U.S. Army base Fort Benning.

40. Service members and their families are prime targets for World Acceptance for a number of reasons. First, they typically are young and financially inexperienced. An estimated 43% of service members are 25-years old or younger, and they generally are high school graduates who may or may not have started college. Second, service members tend to start families earlier in life, which only adds to their financial pressures. Third, loans to service members are relatively safe bets thanks to the institution of the U.S. military. As compared to civilians, collecting from service members is often much easier because of the military's direct deposit payment system and the threat of embarrassment among the soldier's chain of command. When applying for loans, service members are often forced to provide contact information for their commanding officers, who could be contacted should the borrower fall behind on his or her loan. World Acceptance would commonly use this tactic during its collections efforts. And finally, the Company zeroes in on military service members because many of its competitors ***cannot***.

41. Indeed, the Military Lending Act passed in 2007 was designed to protect service members from predatory lenders charging exorbitantly high interest rates for short-term loans. But the narrowly focused law capped interest rates at 36% for only two types of loans offered to service members: payday loans and auto-title loans. As a result, installment lenders such as World Acceptance — which are not subject to the same restrictions – have swooped in to fill the lending void created by the Military Lending Act. Recent surveys have shown that high-cost loans are still widespread among U.S. military service members, and the Department of Defense has acknowledged that the Military Lending Act has already proven inadequate. In a recent report to Congress, the Department of Defense indicated that it is now working on new, "more

comprehensive" rules. Meanwhile, the Company's branch offices surrounding military complexes continue to thrive.

C. A Wolf in Sheep's Clothing: The Individual Defendants' Effort to Distinguish The Company from Payday Lenders

42. Given the foregoing, it is hardly surprising that World Acceptance is careful to distinguish itself as a "small loan" or "installment" lender rather than a "payday" lender. But in practice, little differentiates the two business models except for one important aspect: regulation.

43. Indeed, payday lenders and installment lenders both offer relatively short-term loans at particularly high interest rates, often reaching into the triple digits on an annualized basis. Payday loans tend to have much shorter terms than installment loans, often only two weeks. According to the Bureau, most payday loans are for several hundred dollars and have finance charges of $15 to $20 per $100 borrowed. Considering that most payday loans have only two-week terms, these finance charges equate to an astonishingly high annual percentage rate ranging from 391% to 521%. World Acceptance's loans, on the other hand, generally have terms no shorter than four months. By setting these boundaries and maintaining a comfortable distance from typical payday lending terms, the Individual Defendants have sought to avoid the negative connotations — and applicable federal and state regulations — associated with the payday lending industry.

44. The Consumer Financial Protection Bureau was created in 2010 with the adoption of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Among other things, it writes rules, supervises companies, and enforces federal consumer financial protection laws; it also restricts unfair, deceptive, and abusive financial practices. The Bureau consolidates most federal consumer financial protection authority in one place.

45. Historically, banks, thrifts, and credit unions have been subject to supervision by various federal regulators. Nonbank companies providing consumer financial products and services, however, escaped federal oversight prior to the Dodd-Frank Act and its creation of the Bureau. Under the Dodd-Frank Act, the Bureau was granted immediate nonbank supervisory powers over companies of all sizes in the mortgage, payday lending, and private student lending markets in particular. But for all other markets, including the consumer installment loan market in which World Acceptance operates, the Bureau may only supervise so-called "larger participants," which first needed to be defined through a rule.

46. Thus, among the Bureau's first orders of business was an examination of the ***payday*** lending industry. On January 19, 2012, it published a manual of payday loan examination procedures and convened its first-ever field hearing to gather information and input on the payday lending market. The examination procedures manual, entitled "Short-Term, Small-Dollar Lending Procedures," is essentially a field guide for Bureau examiners to use to ensure payday lenders are following federal consumer financial laws. It describes the types of information that examiners will gather to evaluate payday lenders' policies and procedures, to assess whether lenders are in compliance with federal consumer financial laws, and to identify risks to consumers throughout the lending process. Establishment of the Bureau marked the first time a federal agency could supervise not only bank payday lenders but also nonbank payday lenders.

47. For the majority of the Relevant Period, World Acceptance carefully avoided the Bureau's prying eyes as the agency's focus trained on payday lenders in particular. But in reality, the Company's predatory lending practices were no different, and certainly no better,

than those used by payday lenders to prey upon the same low income clientele that World Acceptance targeted.

D. The Company Flouted State Usury Laws Using Bogus Insurance Products

48. By its own admission, World Acceptance makes a business of issuing loans to customers at or close to the ***maximum*** interest rates allowed under applicable state law. As of March 31, 2014, over 46% of the Company's loan portfolio carried annual percentage rates between 21% and 50%. Plus, more than half of the portfolio carried far higher rates:

Annual Percentage Rate Charged	Percentage of Loan Portfolio
51% to 80%	21.3%
81% to 90%	16.8%
91% to 100%	5.8%
101% to 150%	4.9%
151% to 199%	4.8%

49. Nonetheless, where state laws limit the interest rates World Acceptance would otherwise charge its customers, the Company responded with *de facto* rate hikes: expensive but mostly useless insurance products added to the base loan. The fees and premiums earned on these insurance products serve to artificially inflate the effective interest rates on World Acceptance's loans while steering clear of state mandates. In many (if not most) circumstances, customers paying for the insurance have little to no understanding of what the insurance actually provides and why they are paying for it. This is because World Acceptance purposefully obfuscates the true costs and benefits associated with the insurance.

50. Where state law permits, the Company markets and sells a variety of insurance products in connection with its loans, including credit life, credit accident and health, credit

property, and unemployment insurance. Significantly, each of these insurance products inures to ***World Acceptance's*** benefit, not the borrower's, yet the borrower pays the premiums. For example, should the borrower die before repaying his or her loan, the credit life insurance provides for payment in full of the borrower's credit obligation ***to World Acceptance***. Should the borrower become disabled from illness or injury, the credit accident and health insurance provides for repayment ***to World Acceptance*** of all loan installments that come due during the borrower's period of income interruption. Should the personal property pledged as security by the borrower become damaged or destroyed by a covered event, the credit property insurance insures payment of the borrower's credit obligation ***to World Acceptance***. Finally, should the borrower become involuntarily unemployed, the unemployment insurance provides for repayment ***to World Acceptance*** of all loan installments that come due during the borrower's period of involuntary unemployment.

51. Most importantly, the Company also profits from the insurance policies ***on the front-end*** in two distinct ways: (1) it receives a commission from the insurer on whatever policies it sells to borrowers; and (2) the insurance premiums are typically financed as part of the loans, meaning World Acceptance earns interest on them for the life of the loan. While federal rules actually prohibit the financing of credit insurance premiums as part of a mortgage, no such prohibition exists for the installment loans offered by World Acceptance.

52. Moreover, thanks to loopholes in the Truth in Lending Act, installment lenders - like World Acceptance — may lawfully exclude these insurance premiums when calculating a loan's annual percentage rate so long as the insurance products are voluntary or the borrower can select the insurer. Thus, when factoring in the various insurance premiums often tacked on to World Acceptance's loans, their ***effective*** annual percentage rates far exceed those stated by the

Company and allowed under state law. Thus, it should come as little surprise that World Acceptance would push the insurance products to help boost Company profits.

53. In sum, throughout the Relevant Period, World Acceptance made a routine of tacking onto its loans generally worthless insurance products that only benefitted the Company but were paid by the borrowers. The premiums for these insurance products went straight to World Acceptance's bottom line and offered the Company an attractive money-making alternative where state law prohibited World Acceptance from charging the sky-high interest rates it would otherwise charge.

E. Once Caught in the World Acceptance Net, the Company Employed Various Tactics To Prevent Customers From Escaping

54. In addition to pushing its multitude of worthless insurance products, the Company also thrived on keeping its customers firmly within the World Acceptance ecosystem. Loan renewals were pushed onto existing customers so World Acceptance could keep hold of them long after their initial loan terms. This not only churned the Company's loan portfolio, artificially inflating reported loan growth, but also ensured World Acceptance a longer revenue stream from each renewed borrower. Renewals also helped avoid delinquencies.

55. Indeed, the only requirement for a loan renewal was that the customer make two or more payments and that those two payments were made consecutive within the last two months, even if the customer had missed payments in previous months. The Company also used a "pay-to-renew" practice to help borrowers who were behind on their loans. Under this "pay-to-renew" practice, borrowers could renew their loans and receive any available funds immediately, which could then be used to pay down their debt to bring the loans current, albeit with the result of increasing their overall debt burden. Borrowers were often able to put down very little additional money to bring their loans current, or they might even receive funds back into their

own pockets. Plus, conveniently for World Acceptance, this had the added benefit of (i) avoiding placing the borrowers' loans into default, and (ii) keeping the borrowers on the hook for an even longer period of time.

56. Indeed, World Acceptance customers were also encouraged to renew their loans by promise that the renewals would help the borrowers' credit scores, as the Company reported to all three leading credit bureaus, as well as making borrowers eligible to receive still larger loans from World Acceptance.

57. The endless cycle of debt World Acceptance's borrowers locked themselves into was exactly what the Company wanted. It provided a continuous revenue stream and allowed the Company to grow exponentially both before and during the Relevant Period. On top of these unscrupulous loan generation practices, Defendants improperly accounted for their renewals to boost loan growth and volume, which they touted as their "number-one priority."

58. Indeed, the Company's own reported data supports this push toward renewing loans and originating new loans to previous customers. In fact, in fiscal 2014, approximately 84% of the Company's loans were generated from within, either through refinancings of outstanding loans or through originations of new loans to previous customers. Over 73% of World Acceptance's loan originations in fiscal 2014 were renewals of existing loans. That number topped 75% for each of fiscal 2013 and fiscal 2012.

F. The Company's Reported Loan Growth Was Misleading Due to Faulty Accounting

59. Aside from loan renewals being profitable for the Company, the Individual Defendants also knew that each renewal represented a new loan to be recorded on World Acceptance's books, which allowed the Company's reported loan volume and loan growth — key metrics in evaluating the health of the Company — to climb to new heights during the Relevant Period.

60. But World Acceptance's recording of its loan refinancings often failed to comply with GAAP. Pursuant to GAAP, the Company was to account for those refinancings as either "renewals" or "modifications" depending on the amount of principal paid down on the original loan. The line of demarcation was 10%.

61. If the customer had paid down at least 10% of the original loan's value, the refinancing was properly accounted for as a "renewal," which allowed for the extinguishment of the original debt and the simultaneous creation of a new loan to be recorded on World Acceptance's book. However, if the customer refinanced having paid down less than 10% of the original loan's principal value, this was to be accounted for as merely a "modification" to that original loan. The debt would ***not*** be extinguished and, for purposes of the Company's loan portfolio and reported loan growth, ***no new loan*** would be recorded.

62. To be clear, at the time of the refinancing, the customer need not walk out of the branch office with proceeds of at least 10% of the original loan in his or her pocket. Any or all of those proceeds may be used toward the new loan. The important distinction was whether that customer ***already had available funds*** totaling at least 10% of the original loan value. If the customer's available funds were anything less than 10%, the refinancing must be accounted for as a "modification," and World Acceptance may no longer claim that refinancing as a new loan for purposes of reporting its loan volume and loan growth that quarter.

63. As the Individual Defendants later revealed on April 29, 2014, World Acceptance had suffered from a "material weakness" in heeding this 10% demarcation. According to Defendant McLean on the Company's earnings call that day, "[W]e were not properly accounting for those loans with proceeds of less than 10%." In other words, World Acceptance had been recording all refinancings as "renewals" when, in reality, some should have been

classified as mere "modifications." This violated GAAP and artificially inflated the Company's reported loan volume and loan growth because the Company was wrongfully extinguishing debt and immediately replacing it with new debt, when the original debt should never have been extinguished in the first place.

64. According to the Individual Defendants, World Acceptance solved this problem by (a) properly differentiating between "renewals" and "modifications" for accounting purposes, and (b) no longer encouraging refinancings that will only result in "modifications." Truthfully, the Company has no incentive to push customers to "modify" their existing loans because such refinancings: (i) will ***not*** result in a new loan being issued; (ii) will therefore ***not*** earn the Company the additional fees and charges associated with the opening of a new loan; and (iii) will ***not*** otherwise bolster the Company's reported loan volume and loan growth figures for that quarter.

65. To this end, the Individual Defendants caused the Company to reveal in its "Summary of Quarterly Results," filed with the SEC on Form 8-K on April 29, 2014, that it had "made some system changes during the quarter that ensured customers were not encouraged to refinance existing loans where the proceeds from the transaction were less than 10%." During the earnings call that day, Defendant McLean elaborated on those "changes":

> On our receipt statements and other type of paper that is given to the customer, the amount of money that's available to that customer in the event that they would like to refinance a loan to show them what they would get back under that transaction, this has been there for quite some time, and it shows up on the screen so that our finance personnel can tell them if they would like to renew it at any point in time, that this was the amount of money they'd get back if they had the same transaction. ***We decided to suppress that information until such time as that amount that they could get back exceeded that 10% threshold.***

66. Regarding loan volume, Defendant McLean went on to reveal, "Now, we anticipated that this would have an impact on volume, and as it turned out, it had a fairly

substantial impact on the volume in the fourth quarter." That substantial impact was decidedly negative. According to the Company's Form 8-K filing that day, the changes that had gone into effect at the beginning of the quarter had "***resulted in a decrease in our loan volume*** and had an impact on our balances outstanding and our overall yields. As a result, gross loans outstanding amounted to $1.11 billion at March 31, 2014, a 4.2% increase over the $1.07 billion outstanding at March 31, 2013," which was the lowest quarterly loan growth on record ***in nine years***, since fiscal 2005. In fact, during those nine years, quarterly loan growth reached as high as 23.3% and consistently remained well above 10%.

67. Analysts immediately took note of the effects of World Acceptance's changes. In its April 29, 2014 report, Sidoti & Company, LLC highlighted how "[s]lower loan growth and a decline in portfolio yield are concerning." The report continued:

> WRLD's 4Q:F14 loan growth was just 4.2% year-over-year, which is the lowest quarterly growth we have on record through F2005. While we think there are some negative cyclical factors hampering loan growth, the 8-k sheds some light on this topic. . . . [M]anagement noted that they made some system changes in 4Q:F14 that made sure customers were not encouraged to refinance loans where the proceeds were less than 10% of the loans being financed. When loan refinancing fall[s] below this threshold it is considered a loan modification and the amortization of the loan does not start over once again (a negative for WRLD).

68. A May 1, 2014 report from Sterne, Agee & Leach Inc. likewise warned, "WRLD implemented the planned change in renewal policy limiting renewals on transactions, where the net proceeds to the borrower must exceed 10%, in February. The effect of this was already apparent: turnover rates were declined from 3x to 2.5x on a year-over-year basis, and we expect this rule to reduce the amount of fee income the company can collect."

G. The Individual Defendants Knew of or Recklessly Disregarded World Acceptance's Deceptive Lending and Renewal Practices

69. The Individual Defendants knew or recklessly disregarded that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; and knowingly participated or acquiesced in the issuance or dissemination of such statements or documents.

70. Indeed, according to the Company's fiscal 2013 and 2014 Form 10-Ks, "Senior management receives daily delinquency, loan volume, charge-off, and other statistical reports consolidated by state and has access to these daily reports for each branch office." Additionally, according to the Company's fiscal 2013 and 2014 Form 10-Ks, "[a]t least once per year, each office undergoes an audit by the Company's internal auditors. These audits include an examination of cash balances and compliance with Company loan approval, review and collection procedures and compliance with federal and state laws and regulations."

71. Specifically, according to the Company's 2013, 2014, and 2015 Proxies, the full Board "received communications on the most important strategic issues and risks facing the Company" and received "regular reports from the Company's Chief Executive Officer or other senior managers regarding compliance with applicable risk-related policies, procedures and limits." During the Relevant Period, the Audit Committee in particular was charged with, among other things, overseeing "risks related to financial controls and internal audit, legal, regulatory and compliance risks, and the overall risk management governance structure and risk management function[.]"

72. Thus, each of the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding World Acceptance and its core business practices, their control over and/or receipt of World Acceptance's allegedly materially misleading misstatements and/or

their associations with the Company that made them privy to confidential proprietary information concerning the Company's lending practices and loan growth, were either active and culpable participants in the wrongdoing alleged herein or recklessly disregarded or were derelict in their duties in failing to identify and remedy the violations of law alleged herein. This is especially true where as here the wrongdoing and violations of law concern the Company's core operation.

73. Indeed, prior to and during the Relevant Period, loan renewals were a core operation of the Company and a key driver of the Company's revenue. In fact, in fiscal 2014, 73% of World Acceptance's loan originations were renewals of existing loans. The percentage was even higher, over 75%, in fiscal 2013. Moreover, throughout the Relevant Period, the Individual Defendants repeatedly touted the Company's loan growth, which was a metric of great import to the market. *See, e.g.*, ¶¶84, 106, 133, 157, 173. For example, during the Company's earnings call on April 29, 2014, Defendant McLean said, "***As you know, we stated our number-one priority and our number-one concern is loan growth and loan volume in the US.***" As the most senior executive officers and/or members of the Board of World Acceptance, the Individual Defendants knew, or at a minimum were reckless and derelict in their duties in not knowing, of facts critical to this core operation of the Company on which they repeatedly caused the Company to make statements.

74. The sheer magnitude and duration of the violations of law alleged herein supports that the Individual Defendants knew or should have known that the statements they issued and/or caused the Company to issue regarding the Company's core operation of issuing and renewing loans were false and misleading.

H. The Individual Defendants Were Further Placed on Notice of the Company's Illicit Practices from Media Scrutiny During the Relevant Period

75. In addition, the Individual Defendants should have known of the Company's alleged illicit practices from significant media scrutiny during the Relevant Period.

76. Indeed, on May 13, 2013, *Pro Publica* issued an article entitled "The 182 Percent Loan: How Installment Lenders Put Borrowers in a World of Hurt," challenging many of the Company's business practices.

77. On July 25, 2013, however, Defendant McLean downplayed this article, characterizing it as painting a picture that was "inflammatory and highly-distorted." He accused *Pro Publica* of having "predetermined conclusions" and attributed the allegations in the article "to several disgruntled former customers and two or three disgruntled former employees, several of which have been terminated for improper behavior." The Individual Defendants' efforts — led by its highest ranking officer ***and*** Chairman of the Board — in responding to inquiries into the Company's practices evidence that they were keenly aware throughout the Relevant Period of the Company's illicit lending and renewal practices that manipulated and deceived its customer base and were — at minimum — reckless and derelict in their duties to the Company and its shareholders in failing to investigate and remedy the alleged violations of law.

I. World Acceptance's Predatory Practices Eventually Catch the Eye of the Bureau

78. The media was not alone in noticing the Company's unscrupulous lending practices. It was only a matter of time before the federal government soon came knocking. Indeed, on March 12, 2014, the Bureau served World Acceptance with a Civil Investigative Demand ("CID") related to the Company's lending practices, which the Company publicly disclosed via Form 8-K filed with the SEC. According to the Company's filing, the Bureau's CID states that "[t]he purpose of [its] investigation is to determine whether finance companies or

other unnamed persons have been or are engaging in unlawful acts or practices in connection with the marketing, offering, or extension of credit in violation of Sections 1031 and 1036 of the Consumer Financial Protection Act, 12 U.S.C. §§ 5531, 5536, the Truth in Lending Act, 15 U.S.C. §§ 1601, et seq., Regulation Z, 12 C.F.R. pt. 1026, or any other Federal consumer financial law" and "also to determine whether Bureau action to obtain legal or equitable relief would be in the public interest."

79. The Individual Defendants caused the Company revealed that the Bureau's CID contained "broad requests for production of documents, answers to interrogatories and written reports related to loans made by the Company and numerous other aspects of the Company's business." The Individual Defendants caused the Company to inform investors that it had evaluated the Bureau's CID and was in the process of providing the information requested. The Individual Defendants made sure that the Company noted, however, that it "believes its marketing and lending practices are lawful."

80. Following the Company's disclosure of the investigation, Sterne, Agee & Leach Inc. published a report on March 13, 2014 identifying the "[t]wo areas of likely focus" in its view: "1) rollovers and renewals, and 2) the sale of credit-related insurance products." Sidoti & Company, LLC also pinpointed the Company's "marketing of credit insurance products" as a likely concern in its March 13, 2014 report.

81. On March 14, 2014, Sterne, Agee & Leach Inc. published a follow-up report expressing greater concern over the Bureau's investigation. Lowering the Company's stock price target by $30 "to reflect the uncertainty surrounding" its regulatory issues, Sterne, Agee & Leach Inc. was not merely concerned about "the loss of any ancillary product" but instead

predicted a likely outcome requiring World Acceptance to make "some change in business practices that lowers revenue, increases cost, or both."

V. THE INDIVIDUAL DEFENDANTS CAUSED WORLD ACCEPTANCE TO MAKE MATERIALLY FALSE AND MISLEADING STATEMENTS DURING THE RELEVANT PERIOD

82. Throughout the Relevant Period, the Individual Defendants caused the Company to make false and misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects, which were known to the Individual Defendants and/or recklessly disregarded by them. Specifically, the Individual Defendants knew but failed to disclose, or recklessly disregarded, that World Acceptance's reported success was predicated on illicit marketing and lending practices as well as artificially inflated loan volume and growth due to the Company's faulty accounting for small-dollar renewals.

A. The Individual Defendants Cause the Company to Make Improper Statements in Connection With the Announcement of the Company's 2013 Third Quarter Results

83. The Relevant Period begins on January 30, 2013 when the Individual Defendants announced the Company's third quarter 2013 financial results. As was regular throughout the Relevant Period, on that date, the Individual Defendants caused World Acceptance to file with the SEC a Form 8-K attaching both a press release and a "Summary of Quarterly Results" in advance of a conference call with analysts to discuss the Company's financial results.

84. World Acceptance's press release touted the Company's 48th consecutive year-over-year quarterly increase in diluted earnings per share, with revenues increased to $149.6 million in the third quarter 2013 due to loan growth. "The primary driver for the growth in revenue was an 11.3% increase in average net loans and the associated growth in interest and fees. Gross loans outstanding increased 11.0% to $1.2 billion at December 31, 2012, up from

$1.1 billion at December 31, 2011. Interest and fees rose 11.3% to $130.3 million in the third quarter of fiscal 2013 compared to $117.1 million in the third quarter of fiscal 2012."

85. Under "Selected Consolidated Statistics," the press release listed loan volume of $865,507,000 and $2,379,209,000 for the three months and nine months ended December 31, 2012, respectively. This was an increase from $816,093,000 and $2,222,189,000 for the three months and nine months ended December 31, 2011, respectively.

86. In its "Summary of Quarterly Results," the Individual Defendants caused the Company to proclaim, "We are generally pleased with the financial results for the third quarter of fiscal 2013 as many of the positive trends that we have experienced during the last several years have continued into the current fiscal quarter and year. Demand for our loan products has remained strong and we have continued to experience improvement in our loan loss ratios."

87. The Summary continued:

> As everyone is aware, the third fiscal quarter is one of the busiest lending periods of the year for the Company, primarily due to the holiday season. During the quarter we closed $865.5 million in gross loan volume, which was a 13.8% increase over the amount loaned during the second fiscal quarter and an 6.1% increase over the same quarter of the prior fiscal year. As a result, gross loans outstanding grew to $1.2 billion at December 31, 2012, an 11.0% increase over the $1.1 billion outstanding at December 31, 2011 and a 21.7% increase since the beginning of the fiscal year. Nine of our 13 states and Mexico had year over year growth of at least 9.0%.

88. The Company also noted, "Total revenue for the quarter amounted [to] $149.6 million, a 10.1% increase over the $136.0 million during the third quarter of the prior fiscal year. This resulted from a 11.3% increase in average net loans when comparing the two quarterly periods."

89. Regarding regulatory oversight, the Summary concluded, "Finally, there is very little that is new to report on either the regulatory or legislative front at either the state o[r] federal level, other than an update on the ballot initiative in Missouri. This initiative failed to get

on the ballot during the most recent election due to insufficient signatures; however, the same group has resubmitted the proposal to be on the ballot in the 2014 election."

90. During the conference call with analysts on January 30, 2013, Defendant McLean fielded a question from a CIS Investment Partners analyst on the Company's long-term growth expectations. Mindful of the growth challenges faced as a company matures, Defendant McLean assured, "[W]e still have ample opportunities of locations to enter; we certainly have a lot of opportunities in our existing states and Mexico and I don't believe that anything fundamentally changed in what we have been doing over the last 50 years." He continued, "So I believe a combination of continued office expansion, a combination of asset growth as a result of growth in those of new offices as well as there are so many less than mature offices still outstanding — still in existence. We should be able to continue some rate of asset growth — I can't tell — I'm not going to say what that is because a lot depends on the future, but certainly a reasonable rate of asset growth."

91. Defendant McLean further added, "I believe as we get larger we can continue to see, as we have talked about on this phone, some economies of scale on an ongoing basis, although a lot of our costs are variable costs. And I believe that there is a lot of things that we can do to continue the same type of track record that we have had for 50 years over the foreseeable future." He then concluded, "I certainly don't believe the outlook for this Company is anything but positive."

92. As a result of the Individual Defendants' positive statements concerning the Company's continued success and robust loan growth, World Acceptance stock closed at $77.55 on January 31, 2013, up from a close of $75.31 on January 30, on heavy trading volume.

93. Analysts also reacted positively to the Company's 2013 third quarter results.

For example:

(a) Sidoti & Company, LLC rated the stock a "Buy" on January 30, 2013. The report highlighted "Solid 3Q:F12 Results" and noted "[g]ross year-over-year loan growth of 11% in 3Q:F13 versus new office growth of 6% illustrates that organic demand remains strong for WRLD's installments loans."

(b) CL King & Associates rated World Acceptance a "Strong Buy" on January 30, 2013: "We reiterate our Strong Buy rating on World Acceptance, reflecting continued strong demand for the company's installment loan products, strong top line growth and compelling valuation."

(c) Sterne, Agee & Leach Inc. also noted on January 30, 2013 that "World should be able to translate 10% growth in loan balances per year into EPS growth of 15%, without share repurchases, and 20% with expected return of capital measures. Reflecting this we are increasing projected EPS and raising our price target from $70 to $80."

94. The Individual Defendants also caused the Company's third quarter financial results to be incorporated in its third quarter 2013 Form 10-Q, filed with the SEC on February 8, 2013. Therein, the Individual Defendants reiterated: "Interest and fee income for the quarter ended December 31, 2012 increased by $13.2 million, or 11.3%, over the same period of the prior year. This increase resulted from a $83.1 million increase, or 11.3%, in average net loans receivable over the two corresponding periods." Moreover, "[i]nterest and fee income for the nine months ended December 31, 2012 increased by $26.7 million, or 7.8%, over the same period of the prior year. This increase resulted from a $74.6 million increase, or 10.7%, in average net loans receivable over the two corresponding periods."

95. Regarding World Acceptance's various insurance products, the Individual Defendants touted: "Insurance commissions and other income increased by approximately $500,000, or 2.6%, between the two quarterly periods. Insurance commissions increased by approximately $852,000, or 6.6%, during the most recent quarter when compared to the prior year quarter due to the increase in loans in those states where credit insurance is sold in conjunction with the loan." Further, "[i]nsurance commissions and other income increased by approximately $3.9 million, or 7.7%, between the two nine month periods. Insurance commissions increased by approximately $3.8 million, or 10.7%, during the most recent nine months when compared to the same period in the prior year due to the increase in loans in those states where credit insurance is sold in conjunction with the loan."

96. The Individual Defendants assured that "[t]he Company's accounting and reporting policies are in accordance with U. S. GAAP and conform to general practices within the finance company industry."

97. The Individual Defendants also assured that "[a]n evaluation was carried out under the supervision and with the participation of the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures as of December 31, 2012. Based on that evaluation, the Company's management, including the CEO and CFO, has concluded that the Company's disclosure controls and procedures are effective as of December 31, 2012."

98. Moreover, Defendants McLean and Malson signed certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") stating they had reviewed the Form 10-Q and that it did "not contain any untrue statement of a material fact or omit to state a material fact necessary to

make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by" that report.

99. Further, Defendants McLean and Malson each signed SOX certifications that the Form 10-Q "fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934," and that "the information contained in the [Form 10-Q] fairly presents, in all material respects, the financial condition and results of operations of the Company."

100. As a result of the Individual Defendants' reinforcement of the Company's strong growth in the third quarter Form 10-Q, World Acceptance stock climbed further to $78.20 per share on February 8, 2013, up from a close of $77.70 on February 7.

101. Seeking to take advantage of the positive 2013 third quarter results, and subsequent uptick in the Company's stock price, several of the Individual Defendants — including certain of the Director Defendants — unloaded World Acceptance stock.

102. Indeed, on February 1, 2013 — the first trading day after the Company's positive 2013 third quarter earnings announcement — Roland sold 7,500 shares of World Acceptance stock at $77.76 per share for total proceeds of $583,193.

103. Several days later, on February 7, 2013, Director Defendant Whitaker sold 1,000 shares of Company stock at $77.37 per share for total proceeds of $77,370.

104. On or about February 20, 2013, Director Defendant Vassalluzzo sold or caused to be sold 34,477 shares of World Acceptance stock at an average price of $78.77 per share, for total proceeds of $2,715,792.

105. Finally, between February 20, 2013 and March 5, 2013, Director Defendant and CEO McLean sold a total of 25,000 shares at prices ranging from $79.01 to $79.55 for total proceeds of $1,978,499.

B. The Individual Defendants Cause the Company to Make Improper Statements in Connection With the Announcement of the Company's 2013 Fourth Quarter and 2013 Full Year Results

106. On April 25, 2013, the Individual Defendants announced World Acceptance's fourth quarter and fiscal year 2013 financial results. The press release, which was filed with the SEC on Form 8-K, touted "record" results, including "gross loan balances growing 9.7% to $1.1 billion [for fiscal 2013] compared with fiscal 2012." "Total revenues increased to $161.8 million in the fourth quarter of fiscal 2013, an 8.7% increase over the $148.9 million reported in the fourth quarter ended March 31, 2012. Interest and fee income increased 9.8%, fueled by a 10.4% increase in net average loans. Insurance commissions and other income increased by 2.8% to $23.8 million in the fourth quarter of fiscal 2013 from $23.1 million in the prior year quarter." Moreover, "[g]ross loans outstanding increased to $1.1 billion at March 31, 2013, a 9.7% increase from $972.7 million at March 31, 2012."

107. Results for the fiscal year were similarly positive: "Total revenues for fiscal 2013 rose to $583.7 million, an 8.1% increase over the $540.2 million in fiscal 2012."

108. Under "Selected Consolidated Statistics," the press release listed loan volume of $606,128,000 and $2,985,336,000 for the three months and year ended March 31, 2013, respectively. This was an increase from $597,401,000 and $2,819,590,000 for the three months and year ended March 31, 2012, respectively.

109. In its "Summary of Quarterly Results," also filed on Form 8-K on April 25, the Individual Defendants caused the Company to boast of loan volume growth despite the negative impact on loan demand of a delay in tax filing season:

> During the quarter, the Company made 492.4 thousand individual loans for gross loan volume of $606.1 million. This represents a 2.1% decrease in the number of loans made and a 1.5% increase in total loan volume when comparing it to the fourth quarter of the prior fiscal year. Generally, we receive our largest repayments during January and February, when our customers are receiving their

> tax refunds, and begin to see growth in our loan balances during March. This year, due to the delay, we did not see our normal growth in March. Hopefully, we can make up for this timing difference now that the tax season is behind us. As a result, gross loans outstanding amounted to $1.1 billion at March 31, 2013, a 9.7% increase over the $972.7 million outstanding at March 31, 2012.
>
> * * *
>
> Additionally, the 9.7% year-over-year growth in loan balances resulted from a 3.9% increase in number of accounts and a 5.6% increase in average balances outstanding.

110. The Summary repeated World Acceptance's quarterly revenue growth attributable to an increase in loans: "Total revenue for the quarter amounted [to] $161.8 million, an 8.7% increase over the $148.9 million during the fourth quarter of the prior fiscal year. This resulted from a 10.4% increase in average net loans when comparing the two quarterly periods. Revenues from the 1,062 offices open through out [sic] both quarterly periods increased by 5.5%."

111. On the topic of regulation, the Individual Defendants provided a positive outlook: "Finally, while there is very little to report on the regulatory or legislative front at the federal level, there has been positive state legislation passed, slightly increasing interest or fees on certain loans in two of the 13 states where we currently operate."

112. During the conference call with analysts the same day, April 25, numerous questions were fielded on the topics of federal and state regulation and the Company's refinancings.

113. For example, one analyst noted recent favorable changes at the state level:

> "And this sounds all very delightful to have changes in the regulation, which are favorable for the industry. I think there's been fears over time that there would be changes in regulations which would be adverse to the industry. Can you maybe spend a moment talking about the political wind in this regard? How did we go from a year or two ago generally being concerned that there would be significant adverse regulations, to now having state legislators or other

organizations having decided to change the structures of our regulations such that we would be able to grow our businesses better and be more profitable?"

114. Defendant McLean responded by showing confidence in the Company's relationship with the state regulators and by downplaying any concerns over federal oversight:

> We've always maintained an excellent relationship with the states – in the states where we operate. We have a good relationship with the regulators there, the examiners there. And these states recognize the need for these small installment loans. And as such, have passed these alternate rates to allow companies to offer these on a profitable basis. And I don't believe that that relationship or the attitude towards those lending products and so forth has ever changed.
>
> Now, certainly the payday lending industry has created a lot of concerns at the state level, and as such, there have been some negative laws passed. For instance, in Oregon and North Carolina and Georgia and so forth, where an attempt to regulate the payday lending industry, they have basically eliminated almost all small dollar financial products. So that is an ongoing concern. In an attempt to regulate one industry, others are affected by hat regulation. But with that being said, like I said, we've always maintained excellent relationships at the state level.
>
> And the concern over the last two years is the introduction of general oversight, which we've not had previously. And there's been concerns about what's – you know, what is going to result from the Dodd-Frank and the creation of this Consumer Financial Protection Bureau. I personally believe that we provide a good service, and we offer products that banks and other institutions are not offering. And that it would be harmful to the – a large segment of the population to not have access to credit. But you know, all of the sudden you have a Bureau with an incredible amount of power that can deem what products are good and what products are bad, regardless of what – how it affects that individual consumer.
>
> Well, some of those initial concerns, to a certain extent, have been – have not risen to the level of being critical because it does not appear at this point in time that the Consumer Financial Protection Bureau – the Bureau's goal is to eliminate credit to this large share – segment of the population. So I believe ultimately the availability of credit is a primary goal of this Bureau. And I believe ultimately the installment lending industry is a vehicle that offers a better product than a lot of other ones.

115. On the subject of refinancings, a Cowen and Company analyst later asked "if you could tell us what percentage of new loans written are refinancings of prior outstanding loans, and what percentage of the loans are ultimately fully collected?"

116. Defendant McLean answered simply: "There's no real great way to answer this, but if you base it on loan volume, 77% of our loan volume represents renewals of existing loans. And if you look at our charge-off ratios, I would say that 85% of our loans are collected because roughly 15% or 14.5% are not collected. So I think there's a lot of ways you can slice and dice that question, but the most straightforward answer is 77% and 85%."

117. Another analyst requested "comment on how often the average customer refinances successively." In reply, Defendant McLean offered only the following:

> I mean, based on the volume of business and based on the average loans outstanding, it would appear that our portfolio turns somewhere between two and three times per year. But that does not imply that it's the same customers doing this. We've got a constant mix of new people coming in, people paying us out in full and coming back in and re-accessing credit. We've got people being charged off that we have to replace with new customers. So I cannot tell you on average what a given person does. I can just tell you that the portfolio turns between two and three times per year, but that is not the same customer base.

118. As a result of the Individual Defendants' positive statements concerning the Company's continued success and robust loan growth, World Acceptance's stock maintained its bloated price. Further, analysts reacted positively to the Individual Defendants' statements:

(a) On April 25, 2013, CL King & Associates rated World Acceptance stock a "Strong Buy" and highlighted: "We reiterate our Strong Buy rating on World Acceptance, reflecting continued strong demand for the company's installment loan products, strong top-line growth and compelling valuation. With the stock trading at a forward P/E of only 9.8x and earnings growth in the mid-teens or better, we view valuation as attractive." The report continued, "At quarter's end, gross receivables were

9.7% greater than year-ago levels, in line with our expectation. Growth in loan receivables is a precursor to growth in revenue."

(b) That same day, Sidoti & Company, LLC highlighted how "WRLD [had] reported strong loan growth, as the gross loan balance grew nearly 10% year over year," and also noted that "loan demand . . . remained robust."

119. Following the April 25, 2013 announcement of World Acceptance's fourth quarter and fiscal year 2013 financial results, Roland and Director Defendant Vassalluzzo cashed in again. Indeed, on or about May 6 and 8, 2013, Vassalluzzo sold or caused to be sold a total of 214,218 shares of Company stock for proceeds of $19,863,245 for prices ranging between $91.08 and $92.93 per share. Roland cashed in on or about May 22, 2013, disposing of another 1,758 shares at $88.76 per share for proceeds of $156,044.

120. The Individual Defendants caused the Company's fourth quarter and full year financial results to be incorporated in its fiscal 2013 Form 10-K, initially filed with the SEC on June 14, 2013 and amended July 19, 2013. In its amended Form 10-K, the Company described its installment loan and insurance business as follows: "As of March 31, 2013, the annual percentage rates on loans offered by the Company, which include interest, fees and other charges as calculated for the purposes of the requirements of the federal Truth in Lending Act, ranged from 21% to 199% depending on the loan size, maturity and the state in which the loan is made. In addition, in certain states, the Company, as agent for an unaffiliated insurance company, sells credit insurance in connection with its loan transactions. The commissions from the premiums for those insurance products may increase the Company's overall returns on loan transactions originated in those states."

121. The Individual Defendants caused World Acceptance to claim stringent underwriting practices for its installment loans:

> In evaluating the creditworthiness of potential customers, the Company primarily examines the individual's discretionary income, length of current employment and/or sources of income, duration of residence and prior credit experience. Loans are made to individuals on the basis of the customer's discretionary income and other factors and are limited to amounts that the customer can reasonably be expected to repay from that income. All of the Company's new customers are required to complete standardized credit applications in person or by telephone at local Company offices. Each of the Company's local offices is equipped to perform immediate background, employment and credit checks and approve loan applications promptly, often while the customer waits. The Company's employees verify the applicant's sources of income and credit histories through telephone checks with employers, other employment references and a variety of credit services. Substantially all new customers are required to submit a listing of personal property that will serve as collateral to secure the loan, but the Company does not rely on the value of such collateral in the loan approval process and generally does not perfect its security interest in that collateral. Accordingly, if the customer were to default in the repayment of the loan, the Company may not be able to recover the outstanding loan balance by resorting to the sale of collateral.

122. On the topic of refinancings, World Acceptance's amended Form 10-K stated the following:

> It is not unusual for the Company to have made a number of loans to the same customer over the course of several years, many of which were refinanced with a new loan after the borrower had reduced the existing loan's outstanding balance by making multiple payments. In determining whether to refinance existing loans, the Company typically requires loans to be current on a recency basis, and repeat customers are generally required to complete a new credit application if they have not completed one within the prior two years.
>
> In fiscal 2013, approximately 84.6% of the Company's loans were generated through refinancings of outstanding loans and the origination of new loans to previous customers. A refinancing represents a new loan transaction with a present customer in which a portion of the new loan proceeds is used to repay the balance of an existing loan and the remaining portion is advanced to the customer. The Company actively markets the opportunity for qualifying customers to refinance existing loans prior to maturity. In many cases the existing customer's past performance and established creditworthiness with the Company qualifies that customer for a larger loan. This, in turn, may increase the fees and other income realized for a particular customer. For fiscal 2013, 2012 and 2011,

the percentages of the Company's loan originations that were refinancings of existing loans were 75.3%, 75.9% and 75.9%, respectively.

123. Regarding the Company's refinancings of delinquent loans in particular:

> The Company allows refinancing of delinquent loans on a case-by-case basis for those customers who otherwise satisfy the Company's credit standards. Each such refinancing is carefully examined before approval in an effort to avoid increasing credit risk. A delinquent loan may generally be refinanced only if the customer has made payments which, together with any credits of insurance premiums or other charges to which the customer is entitled in connection with the refinancing, reduce the balance due on the loan to an amount equal to or less than the original cash advance made in connection with the loan.

124. Regarding the Company's practice of selling insurance products:

> [I]n certain states, the Company, as agent for an unaffiliated insurance company, sells credit insurance in connection with its loan transactions. The commissions from the premiums for those insurance products may increase the Company's overall returns on loan transactions originated in those states.
>
> * * *
>
> The Company, as an agent for an unaffiliated insurance company, markets and sells credit life, credit accident and health, credit property, and unemployment insurance in connection with its loans in selected states where the sale of such insurance is permitted by law.
>
> * * *
>
> The Company encourages customers to obtain credit insurance for all loans originated in Georgia, South Carolina, Louisiana, Indiana and Kentucky and on a limited basis in Alabama, Tennessee, Oklahoma, and Texas. Customers in those states typically obtain such credit insurance through the Company. Charges for such credit insurance are made at filed authorized rates and are stated separately in the Company's disclosure to customers, as required by the Truth in Lending Act and by various applicable state laws. In the sale of insurance policies, the Company, as an agent, writes policies only within limitations established by its agency contracts with the insurer. The Company does not sell credit insurance to non-borrowers.

125. The amended Form 10-K also included management's discussion and analysis of World Acceptance's financial results for the fourth quarter and fiscal year 2013. Noted therein: "The Company's financial performance continues to be dependent in large part upon the growth

in its outstanding loans receivable, the maintenance of loan quality and acceptable levels of operating expenses. Since March 31, 2009, gross loans receivable have increased at a 9.7% annual compounded rate from $671.2 million to $1.1 billion at March 31, 2013. The increase reflects both the higher volume of loans generated through the Company's existing offices and the contribution of loans generated from new offices opened or acquired over the period."

126. The Individual Defendants caused the Company to further highlight in its amended Form 10-K:

- "Net income was $104.1 million during fiscal 2013, a 3.4% increase over the $100.7 million earned during fiscal 2012. This increase resulted primarily from an increase in operating income (revenues less provision for loan losses and general and administrative expenses) of $9.9 million, or 5.7%, partially offset by a $3.0 million increase in income tax expense."

- "Total revenues increased to $583.7 million in fiscal 2013, a $43.6 million, or 8.1%, increase over the $540.2 million in fiscal 2012. Revenues from the 1,062 offices open throughout both fiscal years increased by 5.5%."

- "Interest and fee income during fiscal 2013 increased by $39.0 million, or 8.4%, over fiscal 2012. This increase resulted from an increase of $75.0 million, or 10.6%, in average net loans receivable between the two fiscal years. The increase in average loans receivable was attributable to the Company's internal growth."

- "Insurance commissions and other income increased by $4.5 million, or 6.2%, over the two fiscal years. Insurance commissions increased by $4.1 million, or 8.7%, as a result of the increase in loan volume in states where credit insurance is sold."

- Insurance commissions totaled $51,345,424 for fiscal 2013, up from $47,223,398 for fiscal 2012.

127. The Individual Defendants also assured that "[t]he Company's accounting and reporting policies are in accordance with U.S. generally accepted accounting principles and conform to general practices within the finance company industry."

128. Moreover, World Acceptance's fiscal 2013 Form 10-K contained SOX certifications by Defendants McLean and Malson that were materially similar to those identified above in ¶¶98-99.

129. Further, both the fiscal 2013 Form 10-K and the 2013 amended Form 10-K were signed by, among others, McLean, Whitaker, Vassalluzzo, Way, Bramlett, and Gilreath (*i.e.* the vast majority of the Board).

130. As a result of the Individual Defendants' reinforcements of the Company's business practices and strong growth in the amended Form 10-K, World Acceptance stock increased to $85.18 per share on July 19, 2013, up from a close of $82.07 on July 18, on unusually heavy trading volume.

131. Sterne, Agee & Leach Inc. issued a report on July 22, 2013 entitled, "10K Released ahead of July 31 date… 10K OK." The report stated: "We found that the financial statements posted in the 10K today and the 8K following the earnings release in May were identical. The stock traded higher after the 10K was filed, and we would expect it to make up some of the dip that occurred after the filing delay was first announced, as some investors were concerned about the potential for restatements."

C. The Individual Defendants Cause the Company to Make Improper Statements in Connection With the Announcement of the Company's 2014 First Quarter Results

132. The Individual Defendants released World Acceptance's first quarter 2014 results on July 25, 2013 via press release and "Summary of Quarterly Results," both filed with the SEC on Form 8-K that day. The press release once again touted "record financial results" for the Company: "Total revenues increased to $145.3 million in the first quarter of fiscal 2014, a 9.4% increase over the $132.8 million reported in the first quarter last year. Interest and fee income increased 11.0%, from $115.3 million to $128.0 million in the first quarter of fiscal 2014 due to

continued growth in loan volume and expansion of offices. Insurance and other income was down 1.4% to $17.3 million in the first quarter of fiscal 2014 compared with $17.5 million in the first quarter of fiscal 2013."

133. Further, "[g]ross loans outstanding increased 9.6% to $1.1 billion at June 30, 2013, up from $1.0 billion at June 30, 2012." Under "Selected Consolidated Statistics," the press release showed the Company's loan volume had grown to $782,099,000 for the quarter, compared to $752,993,000 for the same quarter the previous year.

134. The Individual Defendants again caused World Acceptance's "Summary of Quarterly Results" to boast of "[g]ross loans amount[ing] to $1.13 billion at June 30, 2013, a 9.6% increase over the $1.03 billion outstanding at June 30, 2012 and a 5.5% increase since the beginning of the fiscal year." "Additionally, the overall 9.6% growth in loan balances resulted from a 3.5% increase in customers and a 6.1% increase in average balances outstanding."

135. The Summary continued, "Total revenue for the quarter amounted $145.3 million, a 9.4% increase over the $132.8 million during the first quarter of the prior fiscal year, which is in line with our loan growth on a quarter over quarter basis. Revenues from the 1,132 offices open throughout both quarterly periods increased by 7.9%."

136. The Summary also addressed World Acceptance's current regulatory environment:

> From a regulatory and legislative standpoint, the Company's greatest risk factor, there was very little activity during the first fiscal quarter. As previously disclosed, there have been several positive legislative actions taken by certain states in recent months.
>
> * * *
>
> At the federal level, Richard Cordray was recently confirmed by the Senate as the official Director of the CFPB. This should not be considered a major setback, as the Company has been operating under the assumption that he would be confirmed at some point and he has not, to date, indicated any particular

issues with the installment lending industry.

137. Lastly, the Summary provided explanation on the Company's need to have amended its fiscal 2013 Form 10-K. The Summary revealed that management and the Company's auditors had uncovered a deficiency in the Individual Defendants' process for evaluating and determining World Acceptance's allowance for loan losses. Specifically, "[t]he primary issue involved the impact of renewals (including those that did not meet the 10% cash flow threshold as required by accounting guidelines to qualify as a new loan) on the timing of subsequent charge-offs and the impact on the allowance. As a result, it was determined that the Company did not have a control to assess less than 10% renewals and had difficulty proving that they did not materially affect the allowance."

138. In other words, the Individual Defendants revealed that, from an accounting perspective, World Acceptance was not properly differentiating between small-dollar loan refinancings (those below the 10% threshold) and large-dollar loan refinancings (those at or above the 10% threshold). However, the Individual Defendants assured investors that corrective policies and procedures had already begun to be implemented, and that this identified "material weakness" would have ***no effect*** on its overall business:

> Ultimately, a conclusion was reached that the financials, as previously reported, were materially correct and the amended 10-K and the audited financials included in it did not reflect any changes from the Company's previously reported financials; however, it was determined that the combination of the deficiencies discussed above in documentation and control regarding the allowance constituted a material weakness in the Company's internal control over financial reporting, as discussed in the amended 10-K. As also discussed in the amended 10-K, the Company has begun and will continue to implement policies and procedures to address this identified material weakness. Importantly, this material weakness has no impact on the collectability of our loan portfolio. Our business model remains as it has been for the last 50 years with improvements over time.

139. The subject of the "material weakness" concerning small-dollar loan renewals was a frequent topic of conversation during the conference call with analysts held the same day,

on July 25, 2013. As an initial matter, when asked to explain the 10% threshold at the center of the controversy, Defendant Malson provided the following explanation: "The simplest way to explain it is that when a customer renews a loan, they would need to have at least 10% equity in their loan when they renew it. If they have less than 10% equity, then the loan's treated as a modification, and so you would treat[] it as the life of the loan has just been extended."

140. One analyst requested whether the Individual Defendants could "kind of quantify over the last year or in this quarter or in some period in time, how much of your volume is the smaller dollar loan renewals? I'm trying to get a sense of how meaningful that impact is."

141. Defendant McLean responded that the small-dollar loan renewals at issue represented at least 15%, and perhaps as much as 25%, of the Company's total renewal portfolio, but that the issue was being addressed going forward:

> That's subject to interpretation. I believe that if you look at our renewals, the percent of renewals that fall into that category of less than 10% is around 15%. Now, there are other parties that may interpret that a little more stricter in how you define what constitutes that loan – what constitutes the new loan that's being made and that would say it would be somewhere around 25%.
>
> So somewhere in between that, but I believe it's closer to that 15% range and it's something that is a result of our not following that as closely and properly as we have in the past, which did, in fact, contribute to the material weakness that was identified. Then it's something that we will be addressing in detail and make sure we have proper controls surrounding that going forward.

142. When asked how a possible discontinuation of small-dollar renewals might affect the Company's business, Defendant McLean offered the following assurances: "I don't believe it would affect the cash flow, but certain people may have run into difficulties and if they're not allowed to renew, it creates a lot of pressure on them and I don't know, whatever I said would be speculative. I'm not sure if it's not something that we have monitored as closely as we should have over a long period of time. I do not believe it will represent a material impact on our operations or results."

143. An analyst from Sidoti & Company, LLC later asked Defendants to describe the proposed "exception reports" for small dollar renewals: "[J]ust to kind of clarify what you're talking about as far as the options[,] if you will[,] for those 10% loans, in the amended 10-K that you filed, you talk about an exception[] report? Can you just maybe lay out what the options are for you with regard to the renewals that are sub-10%; whether it's not making the loan or if you just have to create an exception report? I just want to be clear as to what exactly the type of options we're talking about for those specific loans."

144. Defendant Malson provided the following explanation: "Regarding the exception report, what the intent would be is, one, from an operational standpoint, we determine exactly what we want to do regarding small-dollar renewals. If from a GAAP accounting standpoint they don't [meet] the threshold, those loans will be flagged. That way, I can identify what the dollar amount and the volume are and we can consider any additional accounting treatment that we may need to do for those loans."

145. Defendant McLean also added:

> Other options are to generate monthly reports that identify these loans and find out if they're less than a certain level, the dollar amounts, and from an operations and procedural standpoint, decide whether or not this is beneficial and if not, we'll discontinue it. We can create programming edits that will make sure that it can kick out and even not allow those type of loans or either allow them under certain supervisory approvals.
>
> I mean, there's quite a few options in the way that we can address this. But like I say, regardless of whichever direction we head, I continue to say, I don't believe it's going to have a significant impact on the overall operations of the company.

146. Later, Defendant Roland offered further assurances of the "negligible" impact that would be felt should the Company decide to restrict small-dollar renewals:

> One thing that we may not have made clear is that South Carolina, one of our oldest states, has operated for the last 15 or 16 years under a restriction on renewals of less than 10% and although we don't disclose state-by-state results

> necessarily, I will tell you that South Carolina runs the lowest delinquency and the lowest bad debt and charge-off percentages in the company.
>
> So that restriction if applied nationwide, I would assume over time would mirror South Carolina, which means the impact to me once we get our customers used to the process and our individual branch employees used to the process would be negligible. And we've already done it in one of our largest states and oldest states for the last 15 or 16 years.

147. A Stephens Inc. analyst wondered whether World Acceptance might "have to invest in any new . . . accounting software systems that we should think about or is this more just you've got the data, you just need to call it and analyze it in different ways?" Defendant McLean answered that the situation was under control: "We have the systems, we have the data, and we just need to determine operationally what is the best way to approach this and from the impact on accounting and so forth. I mean, this situation is well under control."

148. When a North Run Capital analyst asked why this issue had suddenly "crop[ped] up," Defendant McLean pointed to a Public Company Accounting Oversight Board review of World Acceptance's longtime auditor:

> As you know, we've had the same auditors for roughly, I don't know, over 20 years and maybe 40 if you go back through a long period of time and as the result of the PCAOB doing a – we were audited by – I mean, they were reviewed by the PCAOB a couple of years ago and everything went fine and then they came back in for a follow-up audit, and I think at that point in time, there was some question as to whether our documentation was satisfactory.

149. That same analyst then requested help in understanding why the Company does small-dollar renewals in the first place. Defendants McLean and Roland responded as follows:

> **Sandy McLean** — *World Acceptance Corporation — Chairman, CEO*
>
> It has not been a conscious decision to do so or not to do so. Generally, we make a renewal when a customer comes in and requests a renewal. I mean, it could be that his need at that point in time is not that large but that amount of money is very important to him at that particular point in time, and we will go through that renewal process at our customer's request.

> Now, if it turns out that it did not meet these 10% guidelines, it has never been that much of an issue except in the State of South Carolina where they had that prohibition. Granted that we did not properly address the accounting aspects of that, we will not have to do so.
>
> **Mark Roland** — *World Acceptance Corporation — President, COO*
>
> And if I could interject. This is Mark Roland again. It's difficult, I guess, at some income levels to understand what's going on at other levels.
>
> But, if you would think about a $1,200 net loan and somebody has paid interest sufficiently to borrow $150 and the immediate need is two front tires on the primary vehicle so somebody can get to work, that it is greater or less than 10% is not entering that borrower's mind and therefore has not really been a factor in our decision either. It's $150 that the borrower has paid in sufficient equity to borrow that money just as if he had a MasterCard and he had $150 left on a $1,200 credit limit.
>
> We will work – Kelly, Sandy and I – together to determine the appropriate operational procedures to mitigate that circumstance and whatever that maybe, again, as I indicated, South Carolina already has these prohibitions in place and we know we can deal with it.

150. Finally, turning to the subject of regulation, a Lawndale Capital Management analyst inquired as to the current regulatory environment for World Acceptance: "With respect to the United States, the CFPB finally got a congressionally-approval leader and there's been this media attention — ProPublica, Marketplace, et cetera — on your sector. . . . I don't know if there are regulatory headwinds or risks that you may be facing?" Defendant McLean downplayed any concern, stating:

> [O]bviously the confirmation of Cordray as the Director of the CFPB was a big event. But as stated in the remark, I don't think it's a terrible necessarily an event for [W]orld. I mean, we've been acting under the assumption that he may get ultimately confirmed anyway, and thus far, he has not expressed any significant issues with the installment lending industry.
>
> But there is no question that this installment lending industry is one that comes under his authority and supervision and regulations and rulemaking, and I anticipate at some important in the not too near future, whether it's this year or next, that we will probably be visited by that bureau and I would expect that they will determine at that point in time that we're offering a very valuable, fair, transparent, beneficial service to our customers.

> You made mention of the ProPublica article. I don't think that was directed towards the industry. I think that was the direct charge and attack on World Acceptance Corporation. And it's unfortunate that organizations such as that say that they don't do an analysis or do some research on a company and have predetermined conclusions.
>
> And within that article, and I go back through this because it was all addressed when this all came out the last quarter and before, but we mentioned that we went to great strides to try to answer some of their questions. And what they did is they reached out to several disgruntled former customers and two or three disgruntled former employees, several of which have been terminated for improper behavior.
>
> And they chose to ignore our responses and draw their conclusions based on these anecdotal elements. So, there's nothing we can do about those articles. We can't fight them in the press, and to do so just delays the length of the time that it's there and we can live with that.
>
> But what becomes especially important is that when people with responsibility and authority then draw conclusions about this company based on the conclusions of a obviously slanted report, then that gives us great deal for concern and hopefully, when it's all said and done, the CFPB will make their decisions not based on anecdotal evidence such as the inflammatory and highly-distorted picture that was painted by this article but that they will do so based on what they see when they come to visit this company.

151. The Individual Defendants' July 25, 2013 revelations regarding the nature of World Acceptance's "material weakness" in accounting for small-dollar loan renewals immediately caused the Company's stock price to dip 4.3%, falling from a close of $83.74 on July 24, 2013 to a close of $80.10 on July 25, 2014, on heavy trading volume. However, this stock drop would have been even greater had the Individual Defendants: (a) revealed the truth about the impact on loan growth of small-dollar loan renewals; (b) not falsely reassured investors that the "material weakness" in accounting would ***not*** have a "material impact on our operations"; and (c) not simultaneously disclosed generally positive news regarding World Acceptance's "record financial results" for the first quarter of fiscal 2014.

152. Indeed, analysts were assuaged by the Individual Defendants' assurances regarding the identified weakness. Stephens Inc. issued a report on July 25, 2013 maintaining its

"Equal-Weight" rating and $88 price target, further noting that the accounting issue would have minimal impact and was thus considered merely a "modest risk to our forecast." Sidoti & Company, LLC showed even less concern, rating World Acceptance stock a "Buy" in its July 25, 2013 report, and recognized that the "material weakness" was "a paramount concern for investors" but, "based on the unchanged financials in the amended 10-K, we do not think this is an issue." The report continued, "Management does not think that there are any credit implications from this rule, as a similar rule has been in place for over 15 years in South Carolina. Per management, South Carolina has some of the strongest credit metrics of any state in which the company operates."

153. The Company's first quarter financial results were then incorporated in its first quarter 2014 Form 10-Q, filed with the SEC on August 6, 2013, by the Individual Defendants. Therein, the Individual Defendants reiterated: "Total revenue rose to $145.3 million during the quarter ended June 30, 2013, a 9.4% increase over the $132.8 million for the corresponding quarter of the previous year. This increase is consistent with the 8.9% increase in average net loans." "Interest and fee income for the quarter ended June 30, 2013 increased by $12.7 million, or 11.0%, over the same period of the prior year. This increase resulted from a $65.2 million increase, or 8.9%, in average net loans receivable over the two corresponding periods."

154. Additionally, World Acceptance's first quarter 2014 Form 10-Q contained SOX certifications by Defendants McLean and Malson that were materially similar to those identified above in ¶¶98-99.

155. As a result of the Individual Defendants' positive statements and assurances in the Company's Form 10-Q, World Acceptance stock maintained its artificial inflation.

156. Indeed, Director Defendants Way and Bramlett took advantage of the Company's

continued stock inflation by disposing of personally-held shares of Company stock. Specifically, on or about August 14, 2013, Way sold 6,000 shares of World Acceptance stock at $86.54 per share for proceeds of $519,240 and Bramlett, just several days later on August 20, 2013, disposed of 3,000 shares of Company stock at $88.41 per share for proceeds of $265,230.

D. The Individual Defendants Cause the Company to Make Improper Statements in Connection With the Announcement of the Company's 2014 Second Quarter Results

157. On October 24, 2013, the Individual Defendants announced World Acceptance's second quarter 2014 financial results via press release and "Summary of Quarterly Results" filed with the SEC on Form 8-K. According to the press release, "Total revenues increased to $150.0 million in the second quarter of fiscal 2014, a 7.6% increase over the $139.4 million reported in the second quarter last year." It continued, "Gross loans amounted to $1.16 billion at September 30, 2013, a 6.9% increase over the $1.09 billion outstanding at September 30, 2012, and a 9.0% increase since the beginning of the fiscal year."

158. Moreover, "[i]nterest and fee income increased 9.2%, from $121.8 million to $133.0 million in the second quarter of fiscal 2014 due to continued growth in loan volume and expansion of offices. Insurance and other income decreased by 3.6% to $17.0 million in the second quarter of fiscal 2014 compared with $17.6 million in the second quarter of fiscal 2013."

159. Under "Selected Consolidated Statistics," the press release listed loan volume of $773,544,000 and $1,555,643,000 for the three months and six months ended September 30, 2013, respectively. This was an increase from $760,709,000 and $1,513,702,000 for the three months and nine months ended September 30, 2012, respectively.

160. The Company's "Summary of Quarterly Results" again touted quarterly loan growth: "Gross loans amounted to $1.16 billion at September 30, 2013, a 6.9% increase over the $1.09 billion outstanding at September 30, 2012 and a 9.0% increase since the beginning of the

fiscal year." Moreover, "the overall 6.9% growth in loan balances resulted from a 2.0% increase in customers and a 4.9% increase in average balances outstanding."

161. The second quarter 2014 Summary continued, "Total revenue for the quarter amounted [to] $150.0 million, a 7.6% increase over the $139.4 million during the second quarter of the prior fiscal year, which is in line with our loan growth on a quarter over quarter basis. Revenue for the first six months of fiscal 2014 were $295.2 million, an 8.4% increase over the prior year period[.] Revenues from the 1,132 offices open throughout both quarterly periods increased by 7.9%."

162. Finally, Defendants advised that, "[f]rom a regulatory and legislative standpoint, the Company's greatest risk factor, there was very little activity during the first half of the fiscal year. As previously disclosed, there have been several positive legislative actions taken by certain states in recent months." Further, "[a]t the federal level, there have not been any new developments affecting the installment loan industry since the confirmation of Mr. Cordray as the Director of the CFPB."

163. During the Company's conference call that same day, October 24, 2013, the Individual Defendants were again asked about the Company's accounting for small-dollar renewals, and whether that had any impact on increased loan losses for the quarter. Defendant McLean updated investors as follows:

> I mean you bring up a good point, so let's address it now because it will probably be answered anyway. Currently, as a result of the material weakness that was identified during last year surrounding the less than 10% loans, we have implemented procedures to monitor that much more closely. And we have actually taken into consideration the impact from an accounting standpoint of the way we should defer those fees and so forth.
>
> But generally speaking, we are not the ones that initiate a renewal type transaction or refinancing. Generally, that's the customer who may need that $25 or $35 or so forth, and so we have not at this point eliminated those type of loans. We are monitoring them and looking at those very closely. We are doing

> some things systematically to improve our monitoring over those, and so it may have a slight impact on our volume. But I do not necessarily believe that it's a direct major contributing factor towards the increased losses.

164. A Mangrove Partners analyst inquired about any regulatory concerns: "And then with regard to regulatory in the last quarter as part of your regulatory update, you had mentioned that you wouldn't be surprised if the CFPB had come to visit the Company in the not too distant future. Can you give us an update on that? Have they been? Is it still your expectation that they do so in that time frame?"

165. Defendant McLean provided the following assurance:

> I don't know what the time frame is. I believe – we just had our national trade association. There was a lot of discussion surrounding the CFPB and what it may or may not do and so forth. I do not believe that it will be in the near future. We just don't know. But I'd say it might even – the issue would be large market participant at this point for the installment loan industry. So I just said that – we probably expect at some point in time when they do start looking at the installment industry, it will grow based on its size. We'll probably be visited and audited and so forth. But the timing of that, I have no idea. I don't think it's going to be – I certainly don't believe it's going to be in fiscal 2014 and it may or may not be in fiscal 2015 or beyond.

166. As a result of the Individual Defendants' positive statements regarding the Company's continued loan growth and otherwise successful quarter, World Acceptance stock maintained its artificial inflation.

167. Analysts reacted positively to the Individual Defendants' statements, with Sidoti & Company, LLC rating World Acceptance stock a "Buy" on October 24, 2013. Sidoti & Company, LLC maintained its $118 price target for WRLD stock and reported: "We raise our respective F2014 and F2015 EPS estimates to $9.21 (from $8.87) and $11.06 (from $9.97). We also increase our C2015 EPS estimate to $11.74 (from $10.70)." Moreover, in its own report on October 25, 2013, Stephens Inc. noted that "WRLD reported revenues of $150 mil., slightly above our $149 mil. forecast and representing 7.6% YoY growth. Loan volume of $774 mil. was

generally in line with our forecast . . . ." Stephens also "expect[ed] loan growth in the 6%-9% range and EPS growth in the 14%-16% range going forward, with the potential for EPS to be driven higher by continued stock repurchases and potential cost scaling."

168. The Company's second quarter 2014 financial results were incorporated in its second quarter 2014 Form 10-Q, filed with the SEC on November 1, 2013: "Total revenue rose to $150.0 million during the quarter ended September 30, 2013, a 7.6% increase over the $139.4 million for the corresponding quarter of the previous year. This increase is consistent with the 7.7% increase in average net loans. Revenue from the 1,132 offices open throughout both quarterly periods increased by approximately 5.7%."

169. The Form 10-Q continued, "Interest and fee income for the quarter ended September 30, 2013 increased by $11.2 million, or 9.2%, over the same period of the prior year. This increase resulted from a $60.0 million increase, or 7.7%, in average net loans receivable over the two corresponding periods."

170. Additionally,

> [t]otal revenue rose to $295.2 million during the six month period ended September 30, 2013, a 8.4% increase over the $272.2 million for the corresponding period of the previous year. This increase is consistent with the 8.2% increase in average net loans. Revenue from the 1,132 offices open throughout both six month periods increased by approximately 6.8%.
>
> Interest and fee income for the six months ended [] September 30, 2013 increased by $23.9 million, or 10.1%, over the same period of the prior year. This increase resulted from a $61.5 million increase, or 8.2%, in average net loans receivable over the two corresponding periods.

171. Moreover, the Company's second quarter 2014 Form 10-Q contained SOX certifications by Defendants McLean and Malson that were materially similar to those identified above in ¶¶98-99.

172. As a result of the Form 10-Q's positive statements regarding the Company's successful quarter, World Acceptance stock maintained its artificial inflation.

E. The Individual Defendants Cause the Company to Make Improper Statements in Connection With the Announcement of the Company's 2014 Third Quarter Results

173. On January 28, 2014, the Individual Defendants issued a press release and "Summary of Quarterly Results" announcing World Acceptance's third quarter 2014 financial results, both of which were filed with the SEC on Form 8-K that same day. In its press release, the Company touted "improved financial results" for the third quarter, including that "[t]otal revenues increased to $160.5 million in the third quarter of fiscal 2014, a 7.3% increase over the $149.6 million reported in the third quarter last year." Additionally,

> [g]ross loans rose to $1.26 billion at December 31, 2013, a 6.8% increase over the $1.18 billion outstanding at December 31, 2012, an 18.5% increase since the beginning of the fiscal year.
>
> * * *
>
> Interest and fee income increased 9.1% to $142.2 million in the third quarter of fiscal 2014 from $130.3 million in the third quarter of fiscal 2013 due to continued growth in loan volume and expansion of offices. Insurance and other income decreased by 5.4% to $18.3 million in the third quarter of fiscal 2014 compared with $19.3 million in the third quarter of fiscal 2013.

174. Under "Selected Consolidated Statistics," the press release boasted strong loan growth, listing loan volume of $863,332,000 and $2,418,975,000 for the three months and nine months ended December 31, 2013, respectively. This compared to $865,507,000 and $2,379,209,000 for the three months and nine months ended December 31, 2012, respectively.

175. In the "Summary of Quarterly Results," the Company again boasted of "[g]ross loans amount[ing] to $1.26 billion at December 31, 2013, a 6.8% increase over the $1.18 billion outstanding at December 31, 2012 and an 18.5% increase since the beginning of the fiscal year." "Additionally, the overall 6.8% growth in loan balances resulted from a 1.0% increase in

accounts and a 5.8% increase in average balance per loan outstanding."

176. The Summary continued:

> Total revenue for the quarter amounted [to] $160.5 million, a 7.3% increase over the $149.6 million during the third quarter of the prior fiscal year, which exceeded our growth in loans on a quarter over quarter basis, primarily as a result of the law changes in Texas, Georgia, and Indiana, which took place at the end of the second quarter. Revenues for the first nine months of fiscal 2014 were $455.7 million, an 8.0% increase over the prior year period. Revenues from the 1,132 offices open throughout both nine month periods increased by 6.1%.

177. Further, "[f]rom the standpoint of regulatory and legislative change, which, the Company believes is its greatest risk factor, there was very little activity during the third fiscal quarter."

178. During the conference call with analysts held the same day, January 28, an analyst from Stephens Inc. specifically asked about loan volume trends: "In thinking about loan volumes, can you give us any sense for new customer trends versus recurring customer trends and anything you can make out of those trends in terms of making it kind of discussion points about what the customer might be thinking, what opportunities they may have to get credit elsewhere?" Defendant McLean responded that the Individual Defendants remained "very conscious of our growth rates" and "all aspects" of the Company's business:

> I am not sure what kind of conclusions you can draw from this but I will be happy to share with you some statistics.
>
> If you remember for the first six months through September of the year, our new customer, brand-new customer loans, were down — in the US were down about 7.7%. During the third fiscal quarter, those new customer loans were down about 3.3%. While they are still down this is a trend that we certainly think is an improvement.
>
> Also our growth in the US was between 5% and 6% and our growth in Mexico was about 30%. So we still see somewhat weak demand in the US but hopefully things are improving a little bit. But I don't know what kind of conclusions to draw from that.

> We are certainly very conscious of our growth rates and operations evaluating all aspects of our collections, underwriting and all part of our operational business.

179. As a result of the foregoing reassurances by the Individual Defendants of World Acceptance's improved business, the Company's stock price leaped more than 14%, from a close of $87.98 on January 27 to $100.46 on January 28, on unusually heavy trading volume.

180. Indeed, Director Defendant Gilreath took advantage of the Company's bloated stock price on January 30, 2014, disposing of 6,000 personally-held shares of Company stock at a robust price of $97.50 per share, reaping $585,000 in proceeds. Several days later, on February 5, 2014, Director Defendant Bramlett capped the Insider Selling Defendants' 12 month selling binge disposing of 3,000 of his personally-held shares of Company stock at an artificially-inflated price of $91.09 per share, reaping $273,270 in proceeds from the sale.

181. Moreover, analysts reacted positively to the Individual Defendants' statements:

(a) Sidoti & Company, LLC rated World Acceptance a "Buy" and maintained its $122 price target as "WRLD Reported Solid 3QF14 EPS." Its January 28, 2014 report highlighted "WRLD's results were generally positive, as the company reported a stabilization in credit costs and loan growth," and noted that "WRLD increased its allowance ratio to 5.90% in 3Q:F14, from 5.81% in 2Q:F14, further suggesting that this was a fundamentally sound earnings beat."

(b) Sterne, Agee & Leach Inc. reported "[r]evenue and loan balance growth was essentially in line with expectations." The firm's January 29, 2014 report concluded: "To reflect quarterly results and an improved credit outlook, we are raising our FY 2014 and 2015 EPS estimates from $8.50 and $11.50 to and [sic] $9.00 and $12.00, respectively."

(c) On January 29, 2014, Stephens Inc. announced: "WRLD reported F3Q14 EPS of $1.98, beating our estimate of $1.86" and highlighted that "[o]verall, WRLD reported a relatively strong bottom-line number."

182. Days later, on February 5, 2014, the Company filed its third quarter 2014 Form 10-Q, which incorporated its third quarter financial results. Therein, the Individual Defendants caused the Company to reiterate, "Total revenue rose to $160.5 million during the quarter ended December 31, 2013, a 7.3% increase over the $149.6 million for the corresponding quarter of the previous year. This increase was primarily driven by the 6.6% increase in average net loans. Revenue from the 1,132 offices open throughout both quarterly periods increased by approximately 4.8%."

183. The Form 10-Q also touted: "Interest and fee income for the quarter ended December 31, 2013 increased by $11.9 million, or 9.1%, over the same period of the prior year. This increase primarily resulted from a $52.9 million increase, or 6.5%, in average net loans receivable over the two corresponding periods, as well as fee revenue increases in Texas, Georgia, and Indiana due to regulation changes which allowed increased fees on certain loans."

184. Additionally, regarding fiscal year to date,

> [t]otal revenue rose to $455.7 million during the nine month period ended December 31, 2013, an 8.0% increase over the $421.9 million for the corresponding period of the previous year. This increase was primarily driven by the 7.6% increase in average net loans. Revenue from the 1,132 offices open throughout both nine month periods increased by approximately 6.1%.
>
> Interest and fee income for the nine months ended December 31, 2013 increased by $35.8 million, or 9.7%, over the same period of the prior year. This increase resulted from a $59.1 million increase, or 7.6%, in average net loans receivable over the two corresponding periods as wells as fee revenue increases in Texas, Georgia, and Indiana due to regulation changes which allowed increased fees on certain loans.

185. Moreover, the Company's third quarter 2014 Form 10-Q contained SOX certifications by Defendants McLean and Calmes that were materially similar to those identified above in ¶¶98-99.

186. As a result of the Individual Defendants' statements in the Form 10-Q, filed after the close of trading on February 5, 2014, World Acceptance's share price jumped the next day to close at $95.63 on February 6, up from a close of $92.55 on February 5.

VI. REASONS THE INDIVIDUAL DEFENDANTS' STATEMENTS WERE IMPROPER

187. The true facts, which were known or were recklessly disregarded by the Individual Defendants during the Relevant Period but concealed from the investing public, were as follows:

A. Reasons the Third Quarter 2013 Statements Were Improper

188. Specifically, the statements the Individual Defendants' either made, caused to be made, or failed to correct in the Company's third quarter 2013 earnings release and "Summary of Quarterly Results" dated January 30, 2013, the conference call with analysts held the same day, and the third quarter 2013 Form 10-Q filed on February 8 (*see* §V.A., *supra*), all of which touted strong growth attributable to increased loan volume, increased insurance commissions, and the lack of any concern over regulatory action, were materially false and misleading when made or omitted material facts to make such statements not false and misleading as follows:

(a) When promising "that there is a lot of things that we can do to continue the same type of track record that we have had for 50 years over the foreseeable future," the Individual Defendants failed to describe how World Acceptance had used illicit, manipulative lending practices to grow its business by preying upon a customer base with few other places to turn for financial assistance;

(b) The Individual Defendants failed to disclose that, during the Relevant Period, they caused the Company to engage in predatory lending practices that were both consistent and pervasive;

(c) That the Individual Defendants encouraged this culture of lending predation, either explicitly or implicitly, for the sake of growing the Company's loan portfolio;

(d) That though World Acceptance's "[i]nsurance commissions increased by approximately $852,000, or 6.6%, during the most recent quarter when compared to the prior year quarter due to the increase in loans in those states where credit insurance is sold in conjunction with the loan," the Company only achieved this growth by tacking on worthless insurance products to customers' loans without their knowledge, which were really *de facto* interest rate hikes to skirt applicable state usury laws;

(e) That while assuring analysts and investors that there was "very little that is new to report on either the regulatory or legislative front at either the state o[r] federal level," the Individual Defendants knew or should have known that the foregoing predatory practices widely used around the Company flew in the face of federal and state consumer financial protection laws and regulations, thus subjecting World Acceptance to untold legal and/or regulatory penalties;

(f) That the Company's internal controls were inadequate because World Acceptance's accounting for small-dollar loan renewals violated GAAP;

(g) That though the Individual Defendants touted how "[d]emand for our loan products has remained strong," they failed to disclose that such demand was actually

the product of the Company's manipulative lending practices and that World Acceptance's reported loan volume and associated growth was actually artificially inflated as a result of its "material weakness" in accounting for small-dollar loan renewals;

(h) That the Individual Defendants caused the Company to file a third quarter 2013 Form 10-Q that was materially false and misleading since it failed to disclose (in violation of Item 303 of regulation S-K) these materially adverse conditions to the market; and

(i) That the SOX certifications executed by Defendants McLean and Malson included the misleading representation that the Form 10-Q did not contain untrue statements or material omissions, when in reality, the Individual Defendants knew but failed to disclose, or recklessly disregarded, that World Acceptance's reported success was predicated on illicit marketing and lending practices as well as artificially inflated loan volume and growth due to the Company's faulty accounting for small-dollar renewals.

B. Reasons the Fiscal 2013 and Fourth Quarter 2013 Statements Were Improper

189. Specifically, the statements the Individual Defendants' either made, caused to be made, or failed to correct in the Company's fourth quarter and full year 2013 earnings release and "Summary of Quarterly Results" dated April 25, 2013, the conference call with analysts held the same day, and the amended fiscal 2013 Form 10-K filed on July 19, 2013 (*see* §V.B., *supra*), all of which touted increased loan growth, increased insurance commissions, stringent underwriting practices, and a generally favorable regulatory environment, were materially false and misleading when made or omitted material facts to make such statements not false and misleading as follows:

(a) That while boasting of an "8.7% increase" in total revenue for the quarter, and "an 8.1% increase" for the fiscal year, the Individual Defendants failed to disclose that World Acceptance had used illicit, manipulative lending practices to grow its business by preying upon a customer base with few other places to turn for financial assistance;

(b) The Individual Defendants failed to disclose that, during the Relevant Period, they caused the Company to engage in predatory lending practices that were both consistent and pervasive;

(c) That the Individual Defendants encouraged this culture of lending predation, either explicitly or implicitly, for the sake of growing the Company's loan portfolio;

(d) That loans actually were ***not*** "limited to amounts that the customer can reasonably be expected to repay," but rather were made to anyone who had any income remaining after accounting for bills and some nominal living expenses;

(e) That beyond simply turning the Company's loan portfolio "between two and three times per year" by way of refinancings, customers were being aggressively pushed into renewing their loans, which churned World Acceptance's loan portfolio, boosted reported loan growth, and ensured far greater interest income as borrowers remained trapped in a seemingly endless cycle of debt;

(f) That while "[i]nsurance commissions and other income increased by 2.8% to $23.8 million," the Company only achieved this growth by tricking its customers into purchasing worthless insurance products that were, in reality, *de facto* interest rate

hikes to skirt applicable state usury laws to help boost the Company's earnings;

(g) Though boasting of "positive state legislation passed" and assuring that "there is very little to report on the regulatory or legislative front at the federal level," the Individual Defendants knew or should have known that the predatory lending and renewal practices widely used around the Company flew in the face of federal and state consumer financial protection laws and regulations, thus subjecting World Acceptance to untold legal and/or regulatory penalties;

(h) Though World Acceptance touted "gross loan balances growing 9.7% to $1.1 billion" and "[i]nterest and fee income increas[ing] 9.8%, fueled by a 10.4% increase in net average loans," this reported loan volume and associated growth was artificially inflated as a result of its "material weakness" in accounting for small-dollar loan renewals;

(i) That the Company's internal controls were inadequate because World Acceptance's accounting for small-dollar loan renewals violated GAAP;

(j) That the Individual Defendants caused the Company to file an amended fiscal 2013 Form 10-K that was materially false and misleading because it failed to disclose (in violation of Item 303 of regulation S-K) these materially adverse conditions to the market; and

(k) That the SOX certifications executed by Defendants McLean and Malson included the misleading representation that the amended Form 10-K did not contain untrue statements or material omissions, when in reality, the Individual Defendants knew but failed to disclose, or recklessly disregarded, that World Acceptance's reported success was predicated on illicit marketing and lending practices as well as artificially

inflated loan volume and growth due to the Company's faulty accounting for small-dollar renewals.

C. Reasons the First Quarter 2014 Statements Were Improper

190. Specifically, the statements the Individual Defendants' either made, caused to be made, or failed to correct in the Company's first quarter 2014 earnings release and "Summary of Quarterly Results" dated July 25, 2013, the conference call with analysts held the same day, and the first quarter 2014 Form 10-Q filed on August 6 (*see* §V.C., *supra*), all of which touted continued success and increased loan growth, were materially false and misleading when made or omitted material facts to make such statements not false and misleading as follows:

(a) When touting the Company's "record financial results" for the first quarter, the Individual Defendants failed to describe how World Acceptance had achieved those record results using illicit, manipulative lending practices to grow its business by preying upon a customer base with few other places to turn for financial assistance;

(b) Contrary to Defendants' assertion that the May 13, 2013 *Pro Publica* article painted an "inflammatory and highly-distorted picture" of the Company, the predatory lending practices described therein, in fact, pervaded World Acceptance's operations nationwide;

(c) That the Individual Defendants either encouraged or failed to take steps to correct this culture of lending predation, either explicitly or implicitly, for the sake of growing the Company's loan portfolio;

(d) Though World Acceptance reported "[i]nsurance and other income" of "$17.3 million in the first quarter of fiscal 2014," the Individual Defendants failed to disclose that the Company only achieved these revenues by tacking on worthless

insurance products to customers' loans without their knowledge, which were really *de facto* interest rate hikes to skirt applicable state usury laws;

(e) While highlighting "several positive legislative actions taken by certain states in recent months" and otherwise showing no concern over the confirmation of Richard Cordray as Director of the CFPB, the Individual Defendants knew or should have known that the predatory practices widely used around the Company flew in the face of federal and state consumer financial protection laws and regulations, thus subjecting World Acceptance to untold legal and/or regulatory penalties;

(f) Though the Individual Defendants caused the Company to report that "[g]ross loans outstanding [had] increased 9.6% to $1.1 billion" and that "[i]nterest and fee income [had] increased 11.0%, from $115.3 million to $128.0 million in the first quarter of fiscal 2014 due to continued growth in loan volume," these loan volume and loan growth figures were actually artificially inflated as a result of World Acceptance's "material weakness" in accounting for small-dollar loan renewals;

(g) Contrary to the Individual Defendants' assurances that the "material weakness" in World Acceptance's accounting of small-dollar loan renewals was "well under control" and would ***not*** "have a significant impact on the overall operations of the company," the Company's faulty accounting had been artificially inflating reported loan growth, and continued to do so during the Relevant Period, and upon changing corporate policy regarding small-dollar loan renewals in response to the identified accounting weakness, World Acceptance suddenly posted in the first quarter 2015 its lowest quarterly loan growth in at least nine years;

(h) That the Company's internal controls were inadequate because World Acceptance's accounting for small-dollar loan renewals violated GAAP;

(i) That the Individual Defendants caused the Company to file a first quarter 2014 Form 10-Q that was materially false and misleading because it failed to disclose (in violation of Item 303 of regulation S-K) these materially adverse conditions to the market; and

(j) That the SOX certifications executed by Defendants McLean and Malson included the misleading representation that the Form 10-Q did not contain untrue statements or material omissions, when in reality, the Individual Defendants knew but failed to disclose, or recklessly disregarded, that World Acceptance's reported success was predicated on illicit marketing and lending practices as well as artificially inflated loan volume and growth due to the Company's faulty accounting for small-dollar renewals.

D. Reasons the Second Quarter 2014 Statements Were Improper

191. Specifically, the statements the Individual Defendants' either made, caused to be made, or failed to correct in the Company's second quarter 2014 earnings release and "Summary of Quarterly Results" dated October 24, 2013, the conference call with analysts held the same day, and the second quarter 2014 Form 10-Q filed on November 1 (*see* §V.D., *supra*), all of which touted continued growth in loan volume and total revenues, were materially false and misleading when made or omitted material facts to make such statements not false and misleading as follows:

(a) While touting the Company's success that quarter, which included total revenues increasing "to $150.0 million in the second quarter of fiscal 2014, a 7.6% increase over the $139.4 million reported in the second quarter last year," the Individual

Defendants failed to describe how World Acceptance had used illicit, manipulative lending practices to grow its business by preying upon a customer base with few other places to turn for financial assistance;

(b) The Individual Defendants failed to disclose that, during the Relevant Period, they caused the Company to engage in predatory lending practices that were both consistent and pervasive;

(c) That the Individual Defendants either encouraged or failed to take steps to correct this culture of lending predation, either explicitly or implicitly, for the sake of growing the Company's loan portfolio;

(d) That the Individual Defendants' statement that "generally speaking, we are not the ones that initiate a renewal type transaction or refinancing" was false and misleading when made since they knew or should have known that the Company engaged in predatory lending practices that were both consistent and pervasive;

(e) Though the Individual Defendants caused World Acceptance to report "[i]nsurance and other income" of "$17.0 million in the second quarter of fiscal 2014," the Individual Defendants knew or should have known that the Company only achieved these revenues by tacking on worthless insurance products to customers' loans without their knowledge, which were really *de facto* interest rate hikes to skirt applicable state usury laws;

(f) While highlighting "several positive legislative actions taken by certain states in recent months" and noting that "there have not been any new developments affecting the installment loan industry since the confirmation of Mr. Cordray as the Director of the CFPB," the Individual Defendants knew or should have known that the

predatory practices widely used around the Company flew in the face of federal and state consumer financial protection laws and regulations, thus subjecting World Acceptance to untold legal and/or regulatory penalties;

(g) Though the Individual Defendants boasted of "[g]ross loans amount[ing] to $1.16 billion at September 30, 2013, a 6.9% increase over the $1.09 billion outstanding at September 30, 2012, and a 9.0% increase since the beginning of the fiscal year," and that "[i]nterest and fee income [had] increased 9.2%, from $121.8 million to $133.0 million in the second quarter of fiscal 2014 due to continued growth in loan volume," the Individual Defendants knew or should have known that these loan volume and loan growth figures were actually artificially inflated as a result of the Company's "material weakness" in accounting for small-dollar loan renewals;

(h) Regarding the Company's "material weakness" in accounting for small-dollar loan renewals, contrary to the Individual Defendants' assurances regarding that "we have implemented procedures to monitor that much more closely," the Company's faulty accounting continued throughout the Relevant Period, and upon changing corporate policy in response to the identified accounting weakness to no longer encourage small-dollar renewals, World Acceptance suddenly posted in the first quarter 2015 its lowest quarterly loan growth in at least nine years;

(i) That the Company's internal controls were inadequate because World Acceptance's accounting for small-dollar loan renewals violated GAAP;

(j) That the Individual Defendants caused the Company to file a second quarter 2014 Form 10-Q that was materially false and misleading because it failed to disclose (in violation of Item 303 of regulation S-K) these materially adverse conditions

to the market; and

(k) That the SOX certifications executed by Defendants McLean and Malson included the misleading representation that the Form 10-Q did not contain untrue statements or material omissions, when in reality, the Individual Defendants knew or should have known but failed to disclose, or recklessly disregarded, that World Acceptance's reported success was predicated on illicit marketing and lending practices as well as artificially inflated loan volume and growth due to the Company's faulty accounting for small-dollar renewals.

E. Reasons the Third Quarter 2014 Statements Were Improper

192. Specifically, the statements the Individual Defendants' either made, caused to be made, or failed to correct in the Company's third quarter 2014 earnings release and "Summary of Quarterly Results" dated January 28, 2014, the conference call with analysts held the same day, and the third quarter 2014 Form 10-Q filed on February 5 (*see* §V.E., *supra*), all of which touted a strengthening in World Acceptance's business and continued loan growth, were materially false and misleading when made or omitted material facts to make such statements not false and misleading as follows:

(a) When touting the Company's "improved financial results" for the third quarter, including "[t]otal revenues [having] increased to $160.5 million in the third quarter of fiscal 2014, a 7.3% increase over the $149.6 million reported in the third quarter last year," the Individual Defendants failed to describe how World Acceptance had achieved those "improved" results using illicit, manipulative lending practices to grow its business by preying upon a customer base with few other places to turn for financial assistance;

(b) The Individual Defendants failed to disclose that, during the Relevant Period, they caused the Company to engage in predatory lending practices that were both consistent and pervasive;

(c) That the Individual Defendants either encouraged or failed to take steps to correct this culture of lending predation, either explicitly or implicitly, for the sake of growing the Company's loan portfolio;

(d) Though World Acceptance reported "[i]nsurance and other income" of "$18.3 million in the third quarter of fiscal 2014," the Individual Defendants failed to disclose that the Company only achieved these revenues by tacking on worthless insurance products to customers' loans without their knowledge, which were really *de facto* interest rate hikes to skirt applicable state usury laws;

(e) While noting "very little activity during the third fiscal quarter" "[f]rom the standpoint of regulatory and legislative change," the Individual Defendants knew or should have known that the predatory practices widely used around the Company flew in the face of federal and state consumer financial protection laws and regulations, thus subjecting World Acceptance to untold legal and/or regulatory penalties;

(f) Though the Individual Defendants caused the Company to report that "[g]ross loans [had risen] to $1.26 billion at December 31, 2013, a 6.8% increase over the $1.18 billion outstanding at December 31, 2012, an 18.5% increase since the beginning of the fiscal year" and that "[i]nterest and fee income [had] increased 9.1% to $142.2 million in the third quarter of fiscal 2014 from $130.3 million in the third quarter of fiscal 2013 due to continued growth in loan volume," these loan volume and loan growth figures were actually artificially inflated as a result of World Acceptance's "material

weakness" in accounting for small-dollar loan renewals;

(g) Contrary to the Individual Defendants' prior assurances that the "material weakness" in World Acceptance's accounting of small-dollar loan renewals was "well under control" and would ***not*** "have a significant impact on the overall operations of the company," the Company's faulty accounting continued to artificially inflate its reported loan volume and loan growth, and upon changing corporate policy regarding small-dollar loan renewals in response to the identified accounting weakness, World Acceptance suddenly posted in the first quarter 2015 its lowest quarterly loan growth in at least nine years;

(h) That the Company's internal controls were inadequate because World Acceptance's accounting for small-dollar loan renewals violated GAAP;

(i) That the Individual Defendants caused the Company to file a third quarter 2014 Form 10-Q that was materially false and misleading because it failed to disclose (in violation of Item 303 of regulation S-K) these materially adverse conditions to the market; and

(j) That the SOX certifications executed by Defendants McLean and Calmes included the misleading representation that the Form 10-Q did not contain untrue statements or material omissions, when in reality, the Individual Defendants knew but failed to disclose, or recklessly disregarded, that World Acceptance's reported success was predicated on illicit marketing and lending practices as well as artificially inflated loan volume and growth due to the Company's faulty accounting for small-dollar renewals.

VII. THE TRUTH EMERGES

193. Then, on March 13, 2014, the truth about World Acceptance's illicit lending practices was further revealed when the Individual Defendants caused the Company to file a Form 8-K to announce its receipt of the "CID" from the Bureau. The CID revealed the Bureau's investigative efforts to determine: (a) "whether finance companies or other unnamed persons [within the Company] have been or are engaging in unlawful acts or practices in connection with the marketing, offering, or extension of credit in violation of Sections 1031 and 1036 of the Consumer Financial Protection Act, 12 U.S.C. §§ 5531, 5536, the Truth in Lending Act, 15 U.S.C. §§ 1601, et seq., Regulation Z, 12 C.F.R. pt. 1026, or any other Federal consumer financial law;" and (b) "whether Bureau action to obtain legal or equitable relief would be in the public interest." The Individual Defendants further disclosed that the Company was in the process of providing the information requested in the Bureau's "broad requests for production of documents, answers to interrogatories and written reports related to loans made by the Company and numerous other aspects of the Company's business."

194. Analysts recognized the importance of the Bureau's investigation into World Acceptance's marketing and lending practices — the very heart of the Company's money-making operations.

195. In particular, Sterne, Agee & Leach Inc. immediately noted on March 13, 2014, "Two areas of likely focus are 1) ***rollovers and renewals***, and 2) ***the sale of credit-related insurance products***, in our view." Its report continued, "With approximately 30% of the [C]ompany's loans underwritten with some form of credit insurance, it would be difficult for WRLD to continue to make these loans without this product." Sterne, Agee & Leach Inc. also noted that approximately 13.5% of World Acceptance's fiscal 2013 revenue "was from insurance commissions and other products."

196. Sidoti & Company, LLC published its own report on March 13, 2014 regarding this "Negative Regulatory Action," noting concern that the Bureau "would take a close look at the marketing of credit insurance products." Sidoti & Company, LLC characterized the Bureau's CID as "the most specific threat to date" on the regulatory front.

197. On March 14, 2014, Sterne, Agee & Leach Inc. issued a follow-up report on the disclosure of the investigation. Upon further reflection, Sterne, Agee & Leach Inc. was not merely concerned about the investigation resulting in "the loss of any ancillary product" but rather "some change in business practices that lowers revenue, increases cost, or both." Accordingly, it lowered its price target for World Acceptance common stock by $30 per share "to reflect the uncertainty surrounding this issue[]."

198. The Individual Defendants' March 13, 2014 revelations, and the resulting analyst commentary, immediately caused the Company's stock price to plummet by ***20%***, falling from a close of $97.32 on March 12, 2014 to a close of $78.25 on March 13, 2014, on extremely heavy trading volume. World Acceptance's investors lost millions as a result of this massive sell-off, while the Company's market capitalization lost tens of millions of dollars.

199. However, to help ease concerns over the Bureau's investigation, the Individual Defendants went to work causing the Company to simultaneously assure investors that they had nothing to fear. The March 13, 2014 Form 8-K revelation closed with the following statement: "The Company believes its marketing and lending practices are lawful." This assurance helped buoy World Acceptance's share price from an otherwise steeper fall.

200. Then, on April 29, 2014, just weeks after disclosing the Bureau's federal investigation but promising its operations were "lawful," the Individual Defendants revealed that World Acceptance's "material weakness" in accounting for small-money renewals had caused

the Company to change its policies to no longer encourage such refinancings, which, in turn, negatively affected the Company's loan volume for the quarter.

201. Indeed, the Individual Defendants caused World Acceptance to issue a "Summary of Quarterly Results" on Form 8-K, filed April 29, that revealed "the Company [had] made some system changes during the quarter that ensured customers were not encouraged to refinance existing loans where the proceeds from the transaction were less than 10% of the loan being refinanced. This resulted in a ***decrease in our loan volume and had an impact on our balances outstanding and our overall yields***. As a result, gross loans outstanding amounted to $1.11 billion at March 31, 2014, a 4.2% increase over the $1.07 billion outstanding at March 31, 2013," which was the lowest quarterly growth in ***at least nine years***.

202. During the Company's conference call with analysts that same day, the Individual Defendants elaborated further on the nature of, and reasons for, those "system changes." Specifically, Defendant McLean explained that World Acceptance's auditors had uncovered a "material weakness" in that the Individual Defendants "were not properly accounting for those [refinancings involving] loans with proceeds of less than 10%. Although we've proved that it did not have a material impact on our financial statements, ***we have since put procedures into place to monitor these loans and to make sure that they are properly accounted for***." In such a way, the Individual Defendants admitted that they had not previously had procedures in place to monitor or properly account for the Company's renewal loans.

203. As explained in more detail above, *see* §IV.F., when borrowers choose to refinance their existing loans, GAAP mandates that World Acceptance account for those refinancings differently depending on the proceeds available to the borrower. The line of demarcation is 10%. In short, if the borrower has funds available totaling at least 10% of his or

her original loan (meaning that the borrower has paid down at least 10% of the original loan's principal), that refinancing is properly considered a "renewal," which allows the original debt to be extinguished and a new loan to be issued to the borrower. On the other hand, if the borrower has anything less than 10% available (meaning the borrower has yet to repay at least 10% of the original loan's principal), then his or her refinancing is properly considered a "modification" to the original loan. When "modified," that loan is ***not*** extinguished but instead extended, and thus ***no new loan*** is issued to the borrower.

204. The Individual Defendants know that the Company has far less incentive to "modify" an existing loan than it does to "renew" that loan. Thus, World Acceptance pushes for "renewals" because they allow for the issuance of a brand new loan, along with the attendant fees and charges associated with that new loan. Plus, each new loan counts toward the Company's reported loan volume and loan growth for the quarter. Loan "modifications" offer no such advantage.

205. Accordingly, upon recognizing their errors in accounting, the Individual Defendants changed their policies to ***discourage*** refinancings of loans below the 10% equity threshold. As Defendant McLean explained on the April 29, 2014 conference call:

> On our receipt statements and other type of paper that is given to the customer, the amount of money that's available to that customer in the event that they would like to refinance a loan to show them what they would get back under that transaction, this has been there for quite some time, and it shows up on the screen so that our finance personnel can tell them if they would like to renew it at any point in time, that this was the amount of money they'd get back if they had the same transaction. ***We decided to suppress that information until such time as that amount that they could get back exceeded that 10% threshold.***

206. In such a way, the Individual Defendants admitted that they had previously encouraged renewals below this threshold by providing the very information they now suppress. Moreover, Defendant McLean went on to reveal: "Now, we anticipated that this would have an

impact on volume, and as it turned out, it had a fairly substantial impact on the volume in the fourth quarter."

207. As investors learned from the Company's "Summary of Quarterly Results," that "substantial impact" was decidedly negative. The Company's implemented changes to discourage small-dollar renewals had "***resulted in a decrease in our loan volume*** and had an impact on our balances outstanding and overall yields."

208. During the conference call, an analyst from FBR Capital Markets & Co. asked about the effects of these changes: "Do you know, Sandy, roughly what percent of originations are small dollar renewals [less-than-10%] after you all have implemented these changes as compared to before?" Defendant McLean responded, "It's dropped dramatically. It's somewhere around — it depends on if you look at number or dollars. And we measure it a month at a time on a rolling basis, and ***it's dropped down to the 7% or 8% range from the 20% range that we announced last year***. So it's dropped down dramatically." Thus, as a result of branch offices no longer encouraging less-than-10% refinancings, the number of those particular refinancings had been more than cut in half.

209. Analysts understandably were concerned over World Acceptance's "system changes" and their resulting decreases in loan growth. Sidoti & Company, LLC published a report on April 29, 2014 noting that "[s]lower loan growth and a decline in portfolio yield are concerning." More specifically, the report called attention to World Acceptance's lowest reported loan growth in nine years following the Company's fourth quarter "system changes":

> WRLD's 4Q:F14 loan growth was just 4.2% year-over-year, ***which is the lowest quarterly growth we have on record through F2005.*** While we think there are some negative cyclical factors hampering loan growth, the 8-k sheds some light on this topic. . . . [M]anagement noted that they made some system changes in 4Q:F14 that made sure customers were not encouraged to refinance loans where the proceeds were less than 10% of the loans being financed. When loan

> refinancing fall[s] below this threshold it is considered a loan modification and the amortization of the loan does not start over once again (***a negative for WRLD***).

210. Moreover, on May 1, 2014, Sterne, Agee & Leach Inc. issued its own report highlighting the practical effects of the Company discouraging small-dollar renewals: "WRLD implemented the planned change in renewal policy limiting renewals on transactions, where the net proceeds to the borrower must exceed 10%, in February. The effect of this was already apparent: turnover rates were declined from 3x to 2.5x on a year-over-year basis, ***and we expect this rule to reduce the amount of fee income the company can collect***."

211. The Individual Defendants' April 29, 2014 revelations, and the resulting analyst commentary, immediately caused the Company's stock price to fall by ***nearly 10%***, falling from a close of $80.50 on April 28, 2014 to a close of $72.60 on April 30, 2014. Investors lost millions on abnormally heavy trading volume, and again, the Company suffered as millions more in market capitalization was shed on the news.

VIII. THE COURT'S DENIAL OF THE MOTION TO DISMISS THE SECURITIES CLASS ACTION

212. In light of the above events, in April 2014, the Company became the subject of the Securities Class Action, which is pending in the U.S. District Court for the District of South Carolina. The amended complaint filed in the Securities Class Action alleged violations of the federal securities laws, specifically Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and was brought on behalf of a class consisting of "all persons or entities who purchased or acquired shares of World Acceptance (the "Class") between January 30, 2013 and April 28, 2014, inclusive."

213. Significantly, all of the individual defendants to the Securities Class Action – McLean, Calmes, Malson, and Roland – are defendants in the instant shareholder derivative action.

214. On or about May 18, 2015, Judge Lewis issued an opinion denying the defendants' motion to dismiss the Securities Class Action.

215. Notably, in her opinion denying defendants' motion to dismiss, Judge Lewis found, *inter alia*, that the amended complaint filed in the Securities Class Action set forth "sufficient facts to permit a reasonable person to find that . . . defendant[s] made a false or misleading statement" and noted that the amended complaint "specifically identifies several alleged misrepresentations and omissions concerning World[] [Acceptance's] lending practices, loan growth and revenue, and company health, and sets forth the time, place and content of the statements and why the statements were material, as well as false and misleading when made." Judge Lewis also found that the amended complaint "alleged facts that give rise to a strong inference of the existence of recklessness by claiming that Defendants had information about the true nature of its business conditions and performance but withheld making certain disclosures in order to control the timing and flow of the information."

216. Of course, Judge Lewis denied defendants' motion to dismiss applying the significantly heightened pleading standards imposed upon plaintiff in the Securities Class Action by the Private Securities Litigation Reform Act of 1995.

217. Thus, World Acceptance is now forced to spend millions of dollars defending the claims asserted in the Securities Class Action. Nevertheless, the Board has yet to commence any litigation against any of the Defendants named in the Securities Class Action for the breaches of fiduciary duty and other violations of law alleged herein.

IX. INSIDER SELLING

218. As noted above, not all shareholders were harmed by the Individual Defendants' actions. Indeed, some of the Individual Defendants made illegal use of their insider knowledge of the false and misleading statements about the Company's business and prospects.

219. Specifically, during the Relevant Period, while in possession of material, adverse, non-public information, Director Defendants McLean, Whitaker, Vassalluzzo, Way, Bramlett, and Gilreath (e.g., ***each of the Director Defendants***) and Defendant Roland — all fully aware of the unlawful basis driving the Company's stock to highly inflated levels — engaged in insider selling, collectively disposing of large amounts of their World Acceptance stock by unloading (or in the case of Vassalluzzo causing an entity he controlled to unload) a staggering total of 301,953 shares of World Acceptance common stock for proceeds ***exceeding $27 million*** — in just a 12-month period of time from February 1, 2013 through February 5, 2014. Notably, none of the Insider Selling Defendants purchased any shares during this time.

220. During that time period, the Insider Selling Defendants sold Company stock at prices ranging between $77.37 per share to as high as $97.50 per share — far above the closing price of $72.60 per share World Acceptance common stock sank to on April 30, 2014, when the truth regarding World Acceptance's illicit lending practices and accounting manipulation was finally and fully revealed, and far above the closing price of $59.77 per share on July 14, 2015.

221. Specifically, seeking to take advantage of the positive 2013 third quarter results, and subsequent uptick in the Company's stock price, several of the Individual Defendants — including certain of the Director Defendants – unloaded World Acceptance stock.

222. Indeed, on February 1, 2013 — the first trading day after the Company's positive 2013 third quarter earnings announcement — Roland sold 7,500 shares of World Acceptance stock at $77.76 per share for total proceeds of $583,193.

223. Several days later, on February 7, 2013, Director Defendant Whitaker sold 1,000 shares of Company stock at $77.37 per share for total proceeds of $77,370.

224. On or about February 20, 2013, Director Defendant Vassalluzzo sold or caused to be sold 34,477 shares of World Acceptance stock at an average price of $78.77 per share, for total proceeds of $2,715,792.

225. Finally, between February 20, 2013 and March 5, 2013, Director Defendant and CEO McLean sold a total of 25,000 shares at prices ranging from $79.01 to $79.55 for total proceeds of $1,978,499.

226. Similarly, following the Individual Defendants' positive statements and assurances in the Company's first quarter 2014 Form 10-Q, which had that impact of maintaining the artificial inflation in World Acceptance's stock price, more Director Defendants decided to take money off the table.

227. Indeed, Director Defendants Way and Bramlett took advantage of the Company's continued stock inflation by disposing of personally-held shares of Company stock, with Way selling 6,000 shares of World Acceptance stock at $86.54 per share for proceeds of $519,240 on or about August 14, 2013, and Bramlett, just several days later on August 20, 2013, disposing of 3,000 shares of Company stock at $88.41 per share for proceeds of $265,230.

228. Finally, on January 30, 2014 and February 5, 2014, Director Defendants Gilreath and Bramlett, respectively, took advantage of the Company's bloated stock price, this time following the Company's announcement if its third quarter 2014 financial results which touted "improved financial results" and continued with positive statements and assurances regarding World Acceptance's business, finances, and prospects. Specifically, Director Defendant Gilreath disposed of 6,000 personally-held shares of Company stock at a robust price of $97.50 per share,

reaping $585,000 in proceeds on January 30, 2014 while Director Defendant Bramlett capped the Insider Selling Defendants' 12 month selling binge on February 5, 2014, when he sold 3,000 of his personally-held shares of Company stock at an artificially-inflated price of $91.09 per share, reaping $273,270 in proceeds from the sale.

229. These insider sales were executed under highly suspicious circumstances and while the Insider Selling Defendants possessed material, adverse, non-public Company information, and were timed to coincide with the release of positive, reassuring news concerning the Company's business, finances, and prospects. Notably, as detailed further below in § X, the insider sales referenced in ¶¶102-105, 119, 156, 180, and 219-228 were made at the same time the Director Defendants authorized and caused the Company to repurchase millions of shares of its own stock for tens of millions of dollars at artificially inflated prices.

230. Indeed, because of their roles as directors and/or officers of World Acceptance during the Relevant Period, McLean, Whitaker, Vassalluzzo, Way, Bramlett, Gilreath, and Roland either knew, consciously disregarded, were reckless and grossly negligent in not knowing, or should have known material, adverse, non-public information about the business of World Acceptance, including, *inter alia*, that World Acceptance's pervasive and illicit lending practices and accounting manipulation caused the price of its stock to trade at artificially inflated prices at the same time the Insider Selling Defendants were disposing of millions of dollars' worth of Company stock.

231. Thus, the Insider Selling Defendants had a duty not to sell shares while in possession of material, adverse non-public information concerning World Acceptance's business, finances, and prospects.

X. THE STOCK REPURCHASES

232. While the Company's shares were trading at artificially inflated prices, the Director Defendants caused the Company to repurchase tens of millions of dollars of Company stock. Indeed, between January 30, 2013 and April 29, 2014, the Director Defendants authorized the repurchase of the Company's shares through several repurchase authorizations in an aggregate amount up to $250 million.

233. Specifically, on February 27, 2013, the Company announced that the Board authorized a stock repurchase program to repurchase up to $25 million in the Company's common stock.

234. Then, on May 21, 2013, the Company announced that the Board authorized the repurchase of up to another $50 million in common stock.

235. Then, on August 29, 2013, the Company announced that the Board authorized the repurchase of up to another $50 million in common stock.

236. Then, on November 27, 2013, the Company announced that the Board authorized the repurchase of up to another $25 million in common stock.

237. Then, on February 6, 2014, the Company announced that the Board authorized the repurchase of up to another $50 million in common stock.

238. Then, on March 17, 2014, the Company announced that the Board authorized the repurchase of up to another $50 million in common stock.

239. The following table represents the Company's stock repurchase activity through the quarter ended March 31, 2014:

	Through The Quarter Ended March 31, 2014					
	Q4'13	**Q1'14**	**Q2'14**	**Q3'14**	**Q4'14**	**Totals**
Shares Repurchased	551,920	412,815	320,484	618,400	740,000	2,643,619
Average Price per Share	$76.14	$91.41	$85.75	$92.07	$92.62	$87.97
Total Aggregate Costs	$42,024,756	$37,734,861	$27,323,823	$56,936,967	$68,541,124	$232,561,531

240. Shockingly, while the Individual Defendants caused the Company ***to repurchase hundreds of millions*** of dollars of Company stock, at a time when the price of the Company's stock was inflated due to the Individual Defendants' issuance of false and misleading statements, ***they were unloading their own World Acceptance stock***. Specifically, between February 2013 and February 2014, each of the Director Defendants, along with Defendant Roland, disposed of 301,953 shares for proceeds in excess of $27 million. During that same time period, between February 2013 and February 2014, the Director Defendants caused the Company to repurchase more than 2 million of its own shares for a staggering cost of approximately $188 million.

241. Despite the Board's knowledge of the true facts about the Company's business and financial prospects, the Board authorized the Company's purchases of its own stock at artificially inflated prices. The Board's decision was not the product of a valid business judgment because the Board knew that the Company's stock was significantly inflated due to the false and misleading statements. Indeed, the Board also knew or should have known that World Acceptance's pervasive and illicit lending practices and accounting manipulation caused the price of its stock to trade at artificially inflated prices.

242. During the Relevant Period, specifically between February 1, 2013 and March 31, 2014, the Board caused the Company to repurchase its stock at significantly inflated prices. Once the true facts emerged, the Company's stock plunged, trading at just $59.77 per share on

July 14, 2015. By repurchasing the stock at inflated prices between $77.53 and $102.89 per share, the Director Defendants caused the Company to significantly overpay for its stock. Indeed, as of July 14, 2015, the value of the stock repurchased by the Company between February 1, 2013 and March 31, 2014 ***has decreased by a staggering $74.5 million***.

243. Because the price of the Company's shares was artificially inflated due to the concealment and misrepresentations by the Individual Defendants, the Company materially overpaid for its own stock. The repurchases falsely signaled to the Company's shareholders and the public that the purchase of the Company's stock at those prices was the best use of the Company's cash and that purchases of the stock at the market price prevailing at that time represented a good value for the Company. Thus, the Director Defendants breached their fiduciary duties by causing the Company to purchase its own shares at artificially inflated prices.

XI. DUTIES OF THE INDIVIDUAL DEFENDANTS

A. Fiduciary Duties

244. By reason of their positions as officers, directors, and/or fiduciaries of World Acceptance and because of their ability to control the business and corporate affairs of World Acceptance, the Individual Defendants owed and owe the Company and its shareholders fiduciary obligations of trust, loyalty, good faith, and due care, and were and are required to use their utmost ability to control and manage World Acceptance in a fair, just, honest, and equitable manner. The Individual Defendants were and are required to act in furtherance of the best interests of World Acceptance and its shareholders so as to benefit all shareholders equally and not in furtherance of their personal interest or benefit.

245. Each director and officer of the Company owes to World Acceptance and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the

affairs of the Company and in the use and preservation of its property and assets, and the highest obligations of fair dealing.

246. The Individual Defendants, because of their positions of control and authority as directors and/or officers of World Acceptance, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein. Because of their advisory, executive, managerial, and directorial positions with World Acceptance, each of the Individual Defendants had knowledge of material non-public information regarding the Company. In addition, as officers and/or directors of a publicly held company, the Individual Defendants had a duty to promptly disseminate accurate and truthful information with regard to the Company's financial and business prospects so that the market price of the Company's stock would be based on truthful and accurate information.

247. To discharge their duties, the officers and directors of World Acceptance were required to exercise reasonable and prudent supervision over the management, policies, practices, and controls of the Company. By virtue of such duties, the officers and directors of World Acceptance were required to, among other things:

a. Exercise good faith to ensure that the affairs of the Company were conducted in an efficient, business-like manner so as to make it possible to provide the highest quality performance of their business;

b. Exercise good faith to ensure that the Company was operated in a diligent, honest and prudent manner and complied with all applicable federal and state laws, rules, regulations and requirements, and all contractual obligations, including acting only within the scope of its legal authority; and

c. When put on notice of problems with the Company's business practices and operations, exercise good faith in taking appropriate action to correct the misconduct and prevent its recurrence.

B. Audit Committee Duties

248. In addition to these duties, the members of the Audit Committee owed specific duties to World Acceptance under the Audit Committee's Charter to review and approve quarterly and annual financial statements and earnings press releases, and to ensure that the Company had appropriate and effective internal controls over financial reporting.

249. Specifically, according to World Acceptance's Audit Committee Charter, the Audit Committee was responsible for, among other things, the Audit Monitoring Function, with primary responsibilities to:

- Serve as an independent and objective party to monitor the integrity of the Company's financial reporting process and internal control system;
- Review, oversee and appraise the qualifications, independence and audit performance of the Company's independent accountants. The independent accountants are ultimately accountable to the Committee, which has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent accountants (or to nominate the independent accountants to be proposed for shareholder approval). The Committee has direct responsibility for the compensation and oversight of the work of the independent accountants (including resolution of disagreements between management and the independent accountants regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent accountants shall report directly to the Committee; and
- Provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditors and the Board.

250. Additionally, according to World Acceptance's Audit Committee Charter, the Audit Committee was responsible for, among other things, the establishment and administration

of the Company's Compliance Management System ("CMS"), with primary responsibilities including to, among other things:

- Serve as an independent and objective party to monitor the establishment and administration of the Company's CMS, which is designed to ensure compliance with applicable consumer financial laws and address and prevent associated risks of harm to consumers;

- Appoint, oversee and appraise the qualifications and performance of the Company's Chief Compliance Officer ("CCO"). The CCO is ultimately accountable to the Committee, which has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the CCO. The Committee has direct responsibility for the compensation and oversight of the work of the CCO (including but not limited to resolution of any disagreements between the CCO and other members of the Company' s management regarding any aspects of the Company's operations);

- Set and communicate to the Company clear expectations about compliance, not only within the Company, but also as to the Company's third-party service providers;

- Allocate resources to the compliance function commensurate with the size and complexity of the Company's operations and practices, the Federal and State consumer financial laws and other regulations to which the Company is subject, and necessary to avoid the potential consumer harm associated with violations of such laws and regulations; and

- Provide an open avenue of communication among the Company's CCO, its senior management and the Board.

251. Additionally, per the Audit Committee Charter, "[t]o fulfill its responsibilities, the Committee ***shall***[,]" among other things:

- Review with management and the independent accountants (i) the Company' s annual and quarterly financial statements, (ii) any accompanying certification, report, opinion, or review by the independent accountants, and (iii) prior to the filing of the Form 10-K or 10-Q, as applicable, disclosures to be made in Management's Discussion and Analysis of Financial Condition and Results of Operations. With respect to annual financial statements, recommend to the Board, based on this review, whether the financial statements should be included in the Form 10-K.

- Review with management and the independent accountants each earnings press release (including the use of "pro forma," "adjusted", or other non-GAAP financial measures and earnings guidance, if any) prior to the issuance of such

release and the filing of the related Form 10-Q, and review financial information and earnings guidance, if any, provided to rating agencies prior to any ratings agency presentations. The Committee's review in this regard may be general in nature (i.e., a discussion of the types of information to be disclosed and the type of presentation to be made). The Chairman of the Committee may represent the entire Committee for these purposes.

- Provide or approve a report for inclusion in the Company's proxy statement for its annual meeting of shareholders, in accordance with applicable rules and regulations, including those of the SEC, and approve any disclosure to be included in the Company's annual report or proxy statement that describes the Committee's composition and responsibilities and how they were discharged.

- In consultation with the independent accountants, review the integrity and adequacy of the Company's financial reporting processes, both internal and external.

- Review periodically the effect of regulatory and accounting initiatives and off-balance-sheet structures, if any, on the Company's financial statements.

- Discuss with the independent accountants their judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

- Review and discuss quarterly reports from the independent accountants on: (i) all critical accounting policies and practices of the Company; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent accountants; and (iii) other material written communications between the independent accountants and management, such as any management letter or schedule of unadjusted differences.

- Review and resolve any significant disagreement among management and the independent accountants in connection with the preparation of the financial statements, and consider with the independent accountants any other significant findings and recommendations of those accountants, together with management's responses thereto.

- Review disclosures made to the Committee by the Chief Executive Officer and the Chief Financial Officer during their certification process for Forms 10-K and 10-Q about any significant deficiencies in the design or operation of the Company's internal control over financial reporting or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.

- Consider, and approve if appropriate, any major changes to the Company's auditing and accounting principles and practices suggested by the independent accountants or management.

- Inquire of management, the internal auditors, CCO and the independent accountants about significant risks or exposures, including those arising from major legislative or regulatory developments, and assess the steps management has taken to minimize such risks to the Company.

- Review the status of compliance with laws and regulations, and the scope and status of systems designed to promote the Company's compliance with laws and regulations, through reports from management, legal counsel and, if deemed appropriate, third parties.

- Review periodically, with counsel, any legal matter that could have a significant impact on the Company's financial statements or risk management impact.

- Review reports from the CCO regarding the overall operation of the Company's CMS, including but not limited to (i) recurring reports of compliance risks, issues and resolutions, including vendor management; (ii) reports on consumer compliance issues and associated risks of harm to consumers throughout product development, marketing, and account administration, and through the Company's handling of consumer complaints and inquiries; and (iii) ensure audit coverage of compliance matters and review the results of periodic compliance audits.

252. Upon information and belief, the Company maintained an Audit Committee Charter during the Relevant Period that imposed the same, or substantially and materially the same or similar, duties on the members of the Audit Committee as those set forth above.

C. Duties Pursuant to the Company's Code of Conduct and Ethics

253. Additionally, the Individual Defendants, as officers and/or directors of World Acceptance, are bound by the Company's Code of Business Conduct and Ethics (the "Code") which, according to the Code, "sets out basic principles to guide all officers, directors and employees of the Company" who "must conduct themselves in accordance with both the letter

and the spirit of this Code and seek to avoid even the appearance of unlawful or unethical behavior."[2]

254. With respect to compliance with applicable laws, rules, and regulations, the Code states, in pertinent part:

> Obeying the law, both in letter and in spirit, is the foundation on which this Company's ethical standards are built. All Employees must respect and obey the applicable laws, rules and regulations of the cities, states and countries in which we operate. Although not all Employees are expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel.
>
> The Company holds information and training sessions to promote compliance with laws, rules and regulations, including, where applicable, insider-trading laws.

255. With respect to insider trading, the Code states:

> Employees who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. All non-public information about the Company should be considered confidential information. To use non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal. This Code should be read in conjunction with the Company's insider trading policy, as in effect from time to time, which contains more information and rules regarding these matters. If you have any questions, please consult the Company's General Counsel.

256. With respect to competition and fair dealing, the Code states, in pertinent part, that:

> We seek to outperform our competition fairly and honestly. ***We seek competitive advantages through superior performance, never through unethical or illegal business practices.*** Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. ***Each Employee should endeavor to respect the rights of and deal fairly with the Company's customers,*** suppliers, competitors and employees. ***No Employee should take unfair advantage of anyone through manipulation,***

[2] The Code specifically notes that the term "Employee" includes employees, officers, and directors of the Company.

concealment, abuse of privileged information, misrepresentation of material facts or any other intentional unfair-dealing practice.

257. With respect to public disclosure, the Code states, in pertinent part, that:

> It is the Company's policy that the information in its public communications, including all SEC filings, be full, fair, accurate, timely and understandable. All Employees who are involved in the disclosure process, including the Chief Financial Officer and his staff, are responsible for acting in furtherance of this policy. In particular, these individuals are required to maintain familiarity with the disclosure requirements applicable to the Company and are prohibited from knowingly misrepresenting, omitting, or causing others to misrepresent or omit, material facts about the Company to others, whether within or outside the Company, including the Company's independent auditors. In addition, any Employee who has a supervisory role in the Company's disclosure process has an obligation to discharge his or her responsibilities diligently.

258. Upon information and belief, the Company maintained a version of the Code during the Relevant Period that imposed the same, or substantially and materially the same or similar, duties on, among others, the Individual Defendants, as those set forth above.

D. Control, Access, and Authority

259. The Individual Defendants, because of their positions of control and authority as directors and/or officers of World Acceptance, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein, as well as the contents of the various public statements issued by World Acceptance.

260. Because of their advisory, executive, managerial, and directorial positions with World Acceptance, each of the Individual Defendants had access to adverse, non-public information about the financial condition, operations, and improper representations of World Acceptance.

261. At all times relevant hereto, each of the Individual Defendants was the agent of each of the other Individual Defendants and of World Acceptance, and was at all times acting within the course and scope of such agency.

E. Reasonable and Prudent Supervision

262. To discharge their duties, the officers and directors of World Acceptance were required to exercise reasonable and prudent supervision over the management, policies, practices, and controls of the financial affairs of the Company. By virtue of such duties, the officers and directors of World Acceptance were required to, among other things:

(a) ensure that the Company complied with its legal obligations and requirements, including acting only within the scope of its legal authority and disseminating truthful and accurate statements to the investing public;

(b) conduct the affairs of the Company in an efficient, business-like manner so as to make it possible to provide the highest quality performance of its business, to avoid wasting the Company's assets, and to maximize the value of the Company's stock;

(c) properly and accurately guide investors and analysts as to the true financial and business prospects of the Company at any given time, including making accurate statements about the Company's business and financial prospects and internal controls;

(d) remain informed as to how World Acceptance conducted its operations, and, upon receipt of notice or information of imprudent or unsound conditions or practices, make reasonable inquiry in connection therewith, and take steps to correct such conditions or practices and make such disclosures as necessary to comply with securities laws;

(e) refrain from trading on material, adverse, non-public information; and

(f) ensure that World Acceptance was operated in a diligent, honest, and prudent manner in compliance with all applicable laws, rules, and regulations.

XII. BREACHES OF DUTIES

263. Each Individual Defendant, by virtue of his position as a director and/or officer, owed to World Acceptance and its shareholders the fiduciary duty of loyalty and good faith and the exercise of due care and diligence in the management and administration of the affairs of World Acceptance, as well as in the use and preservation of its property and assets. The conduct of the Individual Defendants complained of herein involves a knowing and culpable violation of their obligations as directors and officers of World Acceptance, the absence of good faith on their part, and a reckless disregard for their duties to World Acceptance and its shareholders that the Individual Defendants were aware or should have been aware posed a risk of serious injury to World Acceptance.

264. The Individual Defendants each breached their duties of loyalty and good faith by issuing or by causing the Company to issue false and/or misleading statements that misled shareholders into believing that disclosures related to the Company's financial and business prospects were truthful and accurate when made.

XIII. CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION

265. In committing the wrongful acts alleged herein, the Individual Defendants have pursued, or joined in the pursuit of, a common course of conduct, and have acted in concert with and conspired with one another in furtherance of their wrongdoing. The Individual Defendants further aided and abetted and/or assisted each other in breaching their respective duties.

266. During all times relevant hereto, the Individual Defendants collectively and individually initiated a course of conduct that was designed to mislead shareholders into believing that the Company's business and financial prospects were better than they actually were. In furtherance of this plan, conspiracy, and course of conduct, the Individual Defendants collectively and individually took the actions set forth herein.

267. The purpose and effect of the Individual Defendants' conspiracy, common enterprise, and/or common course of conduct was, among other things, to: (a) disguise the Individual Defendants' violations of law, including breaches of fiduciary duties and unjust enrichment; and (b) disguise and misrepresent the Company's actual business and financial prospects.

268. The Individual Defendants accomplished their conspiracy, common enterprise, and/or common course of conduct by causing the Company to purposefully, recklessly, or negligently release improper statements. Because the actions described herein occurred under the authority of the Board, each of the Individual Defendants was a direct, necessary, and substantial participant in the conspiracy, common enterprise, and/or common course of conduct complained of herein.

269. Each of the Individual Defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions to substantially assist the commissions of the wrongdoing complained of herein, each Individual Defendant acted with knowledge of the primary wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of his or her overall contribution to and furtherance of the wrongdoing.

XIV. DAMAGES TO WORLD ACCEPTANCE

270. As a result of the Individual Defendants' wrongful conduct, World Acceptance disseminated false and misleading statements and omitted material information to make such statements not false and misleading when made. The improper statements have devastated World Acceptance's credibility. Additionally, World Acceptance is the subject of the Securities Class Action which is now proceeding towards trial and is being investigated by the CFPB regarding potential "unlawful acts or practices in connection with the marketing, offering, or

extension of credit in violation of" federal consumer financial laws such as the Consumer Financial Protection Act and the Truth in Lending Act. World Acceptance has been, and will continue to be, severely damaged and injured by the Individual Defendants' misconduct.

271. As a direct and proximate result of the Individual Defendants' actions as alleged above, World Acceptance's market capitalization has been substantially damaged, losing tens of millions of dollars in value as a result of the conduct described herein.

272. Further, as a direct and proximate result of the Individual Defendants' conduct, World Acceptance has expended and will continue to expend significant sums of money. Such expenditures include, but are not limited to:

a. costs incurred in investigating and defending World Acceptance and certain officers in the Securities Class Action, plus potentially tens of millions of dollars in settlement or to satisfy an adverse judgment;

b. costs incurred in connection with cooperating with the CFPB investigation, plus potentially millions of dollars to resolve the investigation and any fines that result;

c. costs incurred from compensation and benefits paid to the Individual Defendants, which compensation was based at least in part on World Acceptance's artificially inflated stock price;

d. costs associated with the repurchase of Company stock at prices that were artificially inflated;

e. costs incurred from the misappropriation of Company information by the Insider Selling Defendants for the purpose of selling World Acceptance common stock at artificially inflated prices; and

f. costs incurred from the loss of the Company's customers' confidence in World Acceptance and its products.

273. Moreover, these actions have irreparably damaged World Acceptance's corporate image and goodwill. For at least the foreseeable future, World Acceptance will suffer from what is known as the "liar's discount," a term applied to the stocks of companies who have been implicated in illegal behavior and have misled the investing public, such that World

Acceptance's ability to raise equity capital or debt on favorable terms in the future is now impaired. The Company has also suffered a loss of almost ***$250 million in market capitalization*** as a direct result of the Individual Defendants' wrongdoing alleged herein.

XV. DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

274. Plaintiff brings this action derivatively in the right and for the benefit of World Acceptance to redress injuries suffered, and to be suffered, by World Acceptance as a direct result of the Individual Defendants' breaches of fiduciary duties and other violations of law. World Acceptance is named as a nominal defendant solely in a derivative capacity.

275. Plaintiff will adequately and fairly represent the interests of World Acceptance in enforcing and prosecuting its rights.

276. Plaintiff has continuously been a World Acceptance shareholder at all relevant times, including at the time of the Individual Defendants' wrongdoing complained of herein. Specifically, Plaintiff has continuously been a shareholder of World Acceptance since 1999.

277. Plaintiff did not make a pre-suit demand on the Board to pursue this action, because such a demand would have been a futile and wasteful act.

278. Plaintiff has not made any demand on shareholders of World Acceptance to institute this action since such demand would be a futile and useless act for the following reasons:

a. World Acceptance is a publicly traded company with thousands of shareholders of record;

b. Making demand on such a number of shareholders would be impossible for Plaintiff, who has no means of collecting the names, addresses, or phone numbers of World Acceptance shareholders; and

c. Making demand on all shareholders would force Plaintiff to incur excessive expense and obstacles, assuming all shareholders could even be individually identified with any degree of certainty.

279. The Company has been directly and substantially injured by reason of the Individual Defendants' breaches of their fiduciary duties to World Acceptance. Plaintiff, as a shareholder of World Acceptance, seeks damages and other relief on behalf of the Company, in an amount to be proven at trial.

280. At the time this action was commenced, the Board of World Acceptance consisted of the following seven (7) directors: Director Defendants McLean, Whitaker, Vassalluzzo, Way, Bramlett, and Gilreath and non-defendant Janet Lewis Matricciani ("Matricciani").[3]

A. Director Interestedness Based on Challenged Insider Sales

281. During the Relevant Period, each of the Director Defendants — McLean, Whitaker, Vassalluzzo, Way, Bramlett, and Gilreath, either in their individual capacities or, in the case of Vassalluzzo, through entities he owned and/or controlled, illicitly sold shares of World Acceptance stock while in possession of material, adverse, non-public information, during a time in which World Acceptance stock was artificially inflated due to the Individual Defendants' misconduct. Moreover, in making or causing these sales, McLean, Whitaker, Vassalluzzo, Way, Bramlett, and Gilreath violated the Company's insider trading policy, as set forth in the Code (*see supra*, §XI.C.).

282. As a result of these illicit insider sales, defendants McLean, Whitaker, Vassalluzzo, Way, Bramlett, and Gilreath each received direct financial benefits not shared with World Acceptance shareholders, and are, therefore, each directly interested in a demand.

[3] Non-Defendant Matricciani has served as World Acceptance's COO since 2014 and on the Company's Board since June 10, 2015.

Further, defendants McLean, Whitaker, Vassalluzzo, Way, Bramlett, and Gilreath each are interested in a demand because they face a substantial likelihood of liability for their breaches of fiduciary duties of loyalty and good faith based on their challenged insider sales. Accordingly, demand upon McLean, Whitaker, Vassalluzzo, Way, Bramlett, and Gilreath is futile.

B. Demand is Futile as to All Director Defendants Because the Director Defendants Face a Substantial Likelihood of Liability in Connection with the Company's Pervasive and Illicit Lending Practices and Accounting Manipulation

283. The Director Defendants face a substantial likelihood of liability for their breaches of fiduciary duties of loyalty and good faith and other misconduct. The Director Defendants were directors throughout the Relevant Period, and as such had fiduciary duties to ensure the Company's SEC filings, press releases, and other public statements and presentations on behalf of the Company concerning its financial and business prospects were accurate.

284. Indeed, the Director Defendants were responsible for reviewing and approving the Company's financial statements. By authorizing the false financial statements and public statements alleged herein which were made beginning in January 2013, by signing the fiscal 2013 amended Form 10-K filed with the SEC during the Relevant Period, and by failing to correct other statements which the Officer Defendants made during such time, the Director Defendants were active participants in breaches of duties of good faith, candor, and loyalty, and have subjected the Company to lawsuits claiming violations of the federal securities laws and an investigation by the Bureau. A director's breach of the duty of candor is not entitled to protection under the business judgment rule. As a result, any demand upon the Director Defendants to bring suit against themselves or the Officer Defendants would be a useless and futile act.

285. The Director Defendants caused and/or allowed the Company to engage in illicit lending practices and accounting manipulation and each of the Director Defendants face a

substantial likelihood of liability for causing World Acceptance to engage in such ***illegal and unlawful conduct***. As is described above, the Director Defendants either knew and caused, or were reckless in not knowing, that the Company was utilizing the pervasive predatory lending practices and accounting manipulation. These practices have now led to the Bureau to investigate the Company for violating federal laws. The business judgment rule protects a wide variety of business decisions, but does not protect a corporation's officers and directors from causing a company to engage in illegal and unlawful conduct.

286. As a result of the illicit predatory lending practices and accounting manipulation described above, defendants McLean, Whitaker, Vassalluzzo, Way, Bramlett, and Gilreath (*i.e.* the vast majority of the Board) face a substantial likelihood of liability for their breaches of fiduciary duties, rendering any demand upon them futile. Moreover, this conduct is not entitled to the protections of the business judgment rule, which also independently excuses demand.

287. Additionally, the Director Defendants were specifically responsible for ensuring World Acceptance had adequate internal controls regarding the Company's compliance with federal and state rules and regulations regarding its lending and accounting practices. Thus, the Director Defendants are directly responsible for World Acceptance's failure to adopt and implement such internal controls, and for the substantial damages World Acceptance is subject to in the ongoing lawsuits and investigations. As such, all the Director Defendants face a substantial likelihood of liability for the claims asserted herein. Demand is therefore futile.

288. Further, Defendants McLean, Whitaker, Vassalluzzo, Way, Bramlett, and Gilreath (*i.e.* the vast majority of the Board) each signed the false and misleading fiscal 2013 amended Form 10-K. The fiscal 2013 amended Form 10-K was false and misleading because (among other things) it touted increased loan growth, increased insurance commissions, stringent

underwriting practices, and a generally favorable regulatory environment, which the Director Defendants either knew or were reckless in not knowing were materially false and misleading when made or omitted material facts to make such statements not false and misleading when made (¶189(a)-(k)). As a result, defendants McLean, Whitaker, Vassalluzzo, Way, Bramlett, and Gilreath (*i.e.* the vast majority of the Board) face a substantial likelihood of liability for their breaches of fiduciary duties, rendering any demand upon them futile.

289. Indeed, the Director Defendants, knowingly and/or with reckless disregard reviewed, authorized and/or caused the publication of materially false and misleading statements throughout the Relevant Period that caused the Company's stock to trade at artificially inflated prices.

290. Moreover, the Director Defendants also wasted corporate assets by paying improper compensation, bonuses, and severance to certain of the Company's executive officers and directors. The handsome remunerations paid to wayward fiduciaries who proceeded to breach their fiduciary duties to the Company was improper and unnecessary, and no person of ordinary, sound business judgment would view this exchange of consideration for services rendered as fair or reasonable.

291. The Director Defendants also wasted corporate assets by causing the Company to repurchase its own stock at artificially inflated prices. Indeed, despite the Board's knowledge of the true facts about the Company's business and financial prospects, the Board authorized the Company's purchases of its own stock. The Board's decision was not the product of a valid business judgment because the Board knew that the Company's stock was significantly inflated due to the false and misleading statements. Indeed, the Board also knew or should have known

that World Acceptance's pervasive and illicit lending practices and accounting manipulation caused the price of its stock to trade at artificially inflated prices.

292. The Director Defendants' making or authorization of false and misleading statements throughout the Relevant Period, failure to timely correct such statements, failure to take necessary and appropriate steps to ensure that the Company's internal controls or internal auditing and accounting controls were sufficiently robust and effective (and/or were being implemented effectively), failure to take necessary and appropriate steps to ensure that the Audit Committee's duties were being discharged in good faith and with the required diligence, and/or acts of corporate waste and abuse of control constitute breaches of fiduciary duties, for which the Director Defendants face a substantial likelihood of liability. If the Director Defendants were to bring a suit on behalf of World Acceptance to recover damages sustained as a result of this misconduct, they would expose themselves to significant liability. This is something they will not do. For this reason, demand is futile.

C. Demand is Futile as to the Audit Committee Defendants

293. During the Relevant Period, Defendants Way (Chairperson), Bramlett, and Whitaker served as members of the Audit Committee. Pursuant to the Company's Audit Committee Charter, the Audit Committee Defendants were specifically responsible for, among other things, reviewing and approving quarterly and annual financial statements and earnings press releases, overseeing World Acceptance's internal controls over financial reporting, and discharging their other duties described herein. Despite these duties, the Audit Committee Defendants knowingly or recklessly reviewed and approved, or failed to exercise due diligence and reasonable care in reviewing and preventing the dissemination of false and/or materially misleading earnings press releases and quarterly and annual financial statements, and failed in their specific duties to ensure that the Company's internal controls over financial reporting were

sufficient and that statements made by the Company regarding its business and financial prospects were accurate. Accordingly, the Audit Committee Defendants face a sufficiently substantial likelihood of liability for breach of their fiduciary duties of loyalty and good faith. Any demand upon the Audit Committee Defendants therefore is futile.

D. Demand is Futile as to Defendant McLean for Additional Reasons

294. In addition to the reasons discussed herein as to why demand is futile as to all Director Defendants, demand is futile as to McLean because there is reason to doubt that McLean is an independent director.

295. Specifically, McLean's principal professional occupation is his employment with World Acceptance as its CEO, pursuant to which he has received and continues to receive substantial monetary compensation and other benefits. In addition, according to the Company's most recent Proxy filed with the SEC and disseminated to shareholders on July 7, 2015, the Board admits that McLean is not an independent director. Thus, McLean lacks independence from demonstrably interested directors, rendering him incapable of impartially considering a demand to commence and vigorously prosecute this action.

296. Further, McLean is incapable of considering a demand as he would not do anything to jeopardize the lucrative payment he is set to receive as part of his departure from the Company in September 2015.

297. McLean also cannot disinterestedly consider a demand to bring suit against himself because McLean is a named defendant in the Securities Class Action which alleges that he made many of the same misstatements described above in violation of the federal securities laws. Thus, if McLean were to initiate suit in this action he would compromise his ability to simultaneously defend himself in the Securities Class Action and would expose himself to liability in this action. This he will not do.

298. As such, McLean cannot independently consider any demand to sue himself for breaching his fiduciary duties to World Acceptance, because that would expose him to liability and threaten his livelihood.

E. Demand is Futile as to Non-Defendant Matricciani

299. Demand is futile as to Matricciani because there is reason to doubt that Matricciani is an independent director.

300. Specifically, demand is futile as to Matricciani since she is an executive officer of the Company (currently, serving as the Company's COO) who derives substantial income from her employment with World Acceptance. Specifically, Matricciani, received $2,820,670 in total compensation from World Acceptance in 2014 and $688,687 in total compensation from World Acceptance in 2015. Thus, Matricciani's role as a highly compensated executive officer of the Company makes her, as acknowledged by the Board in World Acceptance's most recent Proxy filed with the SEC and disseminated to shareholders on July 7, 2015, not an independent director.

301. Additionally, according to the Company's most recent Proxy filed with the SEC and disseminated to shareholders on July 7, 2015, the Board ***intends*** to appoint Matricciani to succeed McLean as CEO effective upon McLean's retirement in September 2015. Thus, Matricciani cannot independently consider any demand as she would not jeopardize her pending promotion by pursuing claims against those in control of her appointment as CEO, rendering demand futile upon Matricciani for this additional reason.

302. Thus, demand is futile as to defendants McLean, Whitaker, Vassalluzzo, Way, Bramlett, and Gilreath and non-defendant Matricciani.

COUNT I

Against the Individual Defendants for Breaches of Fiduciary Duties

303. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

304. The Individual Defendants owed and owe World Acceptance fiduciary obligations. By reason of their fiduciary relationships, the Individual Defendants owed and owe World Acceptance the highest obligation of good faith, fair dealing, loyalty, due care, reasonable inquiry, oversight, and supervision.

305. In addition, the Individual Defendants had a duty to act in the best interests of the Company and its shareholders and not to act in furtherance of their own self-interests.

306. As alleged in detail herein, each of the Individual Defendants (and particularly the Audit Committee Defendants) had a duty to ensure that World Acceptance disseminated accurate, truthful, and complete information to its shareholders.

307. The Individual Defendants violated and breached their fiduciary duties of good faith, fair dealing, loyalty, due care, reasonable inquiry, oversight, and supervision.

308. The Individual Defendants each knowingly, recklessly or negligently approved the issuance of false statements that misrepresented and failed to disclose material information concerning the Company. These actions could not have been a good faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

309. Additionally, as is also alleged herein, each of the Individual Defendants had a fiduciary duty to, among other things, exercise good faith to ensure that the Company's financial statements were prepared in accordance with GAAP, and, when put on notice of problems with the Company's business practices and operations, exercise good faith in taking appropriate action to correct the misconduct and prevent its recurrence.

310. As executive officers of World Acceptance and members of the World Acceptance Board, the Individual Defendants were directly responsible for authorizing or permitting the authorization of, or failing to monitor, the practices which resulted in violations of the law as alleged herein. Each of them had knowledge of and actively participated in and/or approved of or acquiesced in the wrongdoings alleged herein or abdicated his/her responsibilities with respect to these wrongdoings. The alleged acts of wrongdoing have subjected World Acceptance to unreasonable risks of loss and expenses.

311. Yet, the Individual Defendants willfully ignored the obvious and pervasive problems with World Acceptance's lending practices and internal controls practices and procedures and failed to make a good faith effort to correct the problems or prevent their recurrence.

312. As a direct and proximate result of the Individual Defendants' failure to perform their fiduciary obligations, World Acceptance has sustained significant damages. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company.

313. By reason of the foregoing, World Acceptance was damaged.

314. Plaintiff, on behalf of World Acceptance, has no adequate remedy at law.

COUNT II

Against the Individual Defendants for Unjust Enrichment

315. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

316. By their wrongful acts and omissions, the Individual Defendants were unjustly enriched at the expense of and to the detriment of World Acceptance.

317. The Individual Defendants were unjustly enriched as a result of the compensation they received while breaching their fiduciary duties owed to World Acceptance.

318. Further, the Insider Selling Defendants sold World Acceptance common stock (or caused it to be sold for their benefit) while in possession of material, adverse non-public information that artificially inflated the price of World Acceptance stock. As a result, the Insider Selling Defendants profited from their misconduct and were unjustly enriched through their exploitation of material and adverse inside information.

319. Plaintiff, as a shareholder and representative of World Acceptance, seeks restitution from the Individual Defendants and seeks an order from this Court disgorging all profits, benefits, and other compensation obtained by the Individual Defendants from their wrongful conduct and fiduciary breaches.

320. By reason of the foregoing, World Acceptance was damaged.

321. Plaintiff, on behalf of World Acceptance, has no adequate remedy at law.

COUNT III

Against the Individual Defendants for Waste of Corporate Assets

322. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

323. The Individual Defendants breached their fiduciary duties by failing to properly supervise and monitor the adequacy of World Acceptance's internal controls, by issuing, causing the issuance of, and/or failing to correct the false and misleading statements identified herein, and by allowing the Company to engage in an illegal, unethical, and improper course of conduct, which was continuous, connected, and on-going throughout the Relevant Period. It resulted in continuous, connected, and on-going harm to the Company.

324. As a result of the misconduct described above, the Individual Defendants wasted corporate assets by: (i) paying excessive compensation, bonuses, and termination payments to certain of its executive officers; (ii) awarding self-interested stock options to certain officers and

directors; and (iii) incurring potentially millions of dollars of legal liability and/or legal costs to defend the Individual Defendants' unlawful actions.

325. Further, the Individual Defendants wasted World Acceptance's corporate assets by authorizing and effectuating the repurchase of tens of millions of dollars of the Company's stock at prices they knew, or recklessly were unaware, were artificially inflated. Causing or permitting a public company to repurchase its stock at artificially inflated prices was improper and unnecessary, cannot be attributed to any rational business purpose and no person of ordinary, sound business judgment would view this exchange of consideration as fair or reasonable.

326. As a result of the waste of corporate assets, the Individual Defendants are liable to the Company.

327. By reason of the foregoing, World Acceptance was damaged.

328. Plaintiff, on behalf of World Acceptance, has no adequate remedy at law.

COUNT IV

Against the Insider Selling Defendants for Breach of Fiduciary Duty for Insider Selling and Misappropriation of Information

329. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

330. At the time the Insider Selling Defendants sold their World Acceptance stock, they knew the information described herein, and sold World Acceptance stock on the basis of such information.

331. The information described herein was proprietary, non-public information concerning the Company's financial condition and future business prospects. It was a proprietary asset belonging to the Company, which the Insider Selling Defendants used for their own benefit when they sold World Acceptance stock.

332. At the time of their stock sales, the Insider Selling Defendants knew the truth about the Company's financial condition and future business prospects, specifically related to, among other things, the Company's improper lending practices and lack of internal controls.

333. The Insider Selling Defendants' sales of stock while in possession and control of this material adverse, non-public information was a breach of their fiduciary duty of loyalty and good faith.

334. Since the use of the Company's proprietary information for their own gain constitutes a breach of the Insider Selling Defendants' fiduciary duties, the Company is entitled to the imposition of a constructive trust on any profits that the Insider Selling Defendants obtained thereby.

335. By reason of the foregoing, World Acceptance was damaged.

336. Plaintiff, on behalf of World Acceptance, has no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

A. Against all Defendants for the amount of damages sustained by the Company as a result of Defendants' wrongdoing as alleged herein;

B. Directing World Acceptance to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect World Acceptance and its shareholders from a repeat of the damaging events described herein, including, but not limited to, putting forward for shareholder vote resolutions for amendments to the Company's By-Laws or Articles of Incorporation and taking such other action as may be necessary to place before shareholders for a vote the following corporate governance proposals or policies:

- a proposal to strengthen the Board's supervision of operations and compliance with applicable state and federal laws and regulations;
- a proposal to strengthen the Company's internal reporting and financial disclosure controls;
- a proposal to develop and implement procedures for greater shareholder input into the policies and guidelines of the Board;
- a proposal to ensure the accuracy of the qualifications of World Acceptance directors, executives and other employees;
- a provision to strengthen the Company's oversight and controls over insiders' purchase and sale of Company stock;
- a proposal to regulate the Board's future authorizations of stock repurchases;
- a provision charging the Board, a committee thereof, or a sub-committee thereof, to investigate, review, and recommend changes to the Company's core lending practices so that such practices are done in an ethical manner and in accordance with all applicable local, state, and federal laws;
- a proposal to require an independent Chairman of the Board;
- a provision to permit the shareholders of World Acceptance to nominate three candidates for election to the Board;
- a proposal to strengthen the Company's procedures for the receipt, retention and treatment of complaints received by the Company regarding internal controls; and
- a provision to appropriately test and then strengthen the Company's internal operational control functions.

C. Awarding to World Acceptance restitution from the Individual Defendants, and each of them, and ordering disgorgement of all profits, benefits, and other compensation obtained by the Individual Defendants;

D. Awarding to Plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

E. Granting such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

Dated: July 15, 2015

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ENDORSEMENT AND CERTIFICATION OF DIVISION

I hereby certify that this matter is properly assignable to the United States District Court for the District of South Carolina, Greenville/Spartanburg Division pursuant to Local Court Rule 3.01.

s/ Bill Hopkins
BILL HOPKINS