

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2021

OR

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

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

Commission File Number: 001-39326



**OPEN LENDING CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**EIN 84-5031428**  
(I.R.S. Employer  
Identification No.)

**1501 S. MoPac Expressway  
Suite 450  
Austin, Texas**  
(Address of principal executive offices)

**78746**  
(Zip Code)

**Registrant's telephone number, including area code: (512) 892-0400**

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	LPRO	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of August 10, 2021, the registrant had 126,190,351 shares of common stock, \$0.01 par value per share, outstanding.

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**OPEN LENDING CORPORATION**  
**FORM 10-Q**  
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**PART I. FINANCIAL INFORMATION**
**Item 1. Condensed Consolidated Financial Statements**

**OPEN LENDING CORPORATION**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited, in thousands, except share data)**

	June 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 57,154	\$ 101,513
Restricted cash	2,891	2,635
Accounts receivable	7,569	4,352
Current contract assets	61,032	50,386
Income tax receivable	80	—
Prepaid expenses	4,390	1,873
Other current assets	634	2,018
<b>Total current assets</b>	<b>133,750</b>	<b>162,777</b>
Property and equipment, net	2,581	1,201
Operating lease right-of-use assets, net	5,465	5,733
Non-current contract assets	50,901	38,956
Deferred tax asset, net	68,315	85,218
Other non-current assets	124	124
<b>Total assets</b>	<b>\$ 261,136</b>	<b>\$ 294,009</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,987	\$ 3,442
Accrued expenses	5,070	3,033
Income tax payable	—	1,640
Current portion of debt	3,125	4,888
Other current liabilities	4,460	4,005
<b>Total current liabilities</b>	<b>14,642</b>	<b>17,008</b>
Long-term debt, net of deferred financing costs	144,518	152,859
Non-current operating lease liabilities	4,898	5,138
Tax receivable agreement liability	—	92,369
Other non-current liabilities	—	13
<b>Total liabilities</b>	<b>\$ 164,058</b>	<b>\$ 267,387</b>
<b>Commitment and contingencies</b>		
<b>Stockholders' equity</b>		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par value; 550,000,000 shares authorized, 128,198,185 shares issued and 126,190,351 shares outstanding as of June 30, 2021 and 128,198,185 shares issued and 126,803,096 shares outstanding as of December 31, 2020	1,282	1,282
Additional paid-in capital	492,874	491,246
Accumulated deficit	(339,578)	(428,406)
Treasury stock at cost, 2,007,834 shares at June 30, 2021 and 1,395,089 at December 31, 2020, respectively	(57,500)	(37,500)
<b>Total stockholders' equity</b>	<b>97,078</b>	<b>26,622</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 261,136</b>	<b>\$ 294,009</b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**OPEN LENDING CORPORATION**  
**Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)**  
**(Unaudited, in thousands, except share data)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Revenue</b>				
Program fees	\$ 20,597	\$ 8,793	\$ 35,508	\$ 21,505
Profit share	38,842	12,163	66,572	15,938
Claims administration service fees	1,686	1,111	3,053	2,054
<b>Total revenue</b>	<b>61,125</b>	<b>22,067</b>	<b>105,133</b>	<b>39,497</b>
<b>Cost of services</b>	<b>4,140</b>	<b>1,827</b>	<b>7,502</b>	<b>4,322</b>
<b>Gross profit</b>	<b>56,985</b>	<b>20,240</b>	<b>97,631</b>	<b>35,175</b>
<b>Operating expenses</b>				
General and administrative	8,381	14,650	16,593	18,218
Selling and marketing	2,954	1,295	5,351	3,373
Research and development	773	349	1,364	707
<b>Operating income</b>	<b>44,877</b>	<b>3,946</b>	<b>74,323</b>	<b>12,877</b>
Interest expense	(1,122)	(3,644)	(4,411)	(4,408)
Interest income	58	44	142	61
Gain on extinguishment of tax receivable agreement	55,422	—	55,422	—
Loss on extinguishment of debt	—	—	(8,778)	—
Change in fair value of contingent consideration	—	(48,802)	—	(48,802)
Other (expense) income	(2)	3	(133)	3
<b>Income (loss) before income taxes</b>	<b>99,233</b>	<b>(48,453)</b>	<b>116,565</b>	<b>(40,269)</b>
<b>Provision for income taxes</b>	<b>23,267</b>	<b>1,352</b>	<b>27,737</b>	<b>1,364</b>
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ 75,966</b>	<b>\$ (49,805)</b>	<b>\$ 88,828</b>	<b>\$ (41,633)</b>
Preferred distribution to redeemable convertible Series C preferred units	—	(214)	—	(40,689)
Accretion to redemption value of redeemable convertible Series C preferred units	—	—	—	47,537
<b>Net income (loss) attributable to common stockholders</b>	<b>\$ 75,966</b>	<b>\$ (50,019)</b>	<b>\$ 88,828</b>	<b>\$ (34,785)</b>
<b>Net income (loss) and comprehensive income (loss) per common share</b>				
Basic	\$ 0.60	\$ (1.01)	\$ 0.70	\$ (0.80)
Diluted	\$ 0.60	\$ (1.01)	\$ 0.70	\$ (0.80)
<b>Weighted average common shares outstanding</b>				
Basic	126,230,752	49,547,284	126,515,343	43,589,168
Diluted	126,274,197	49,547,284	126,554,082	43,589,168

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**OPEN LENDING CORPORATION**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity**  
**(Unaudited, in thousands, except share and unit data)**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Equity
	Shares	Amount	Amount	Amount	Shares	Amount	Amount
<b>Balance as of December 31, 2020</b>	<b>128,198,185</b>	<b>\$ 1,282</b>	<b>\$ 491,246</b>	<b>\$ (428,406)</b>	<b>(1,395,089)</b>	<b>\$ (37,500)</b>	<b>\$ 26,622</b>
Share-based compensation	—	—	701	—	—	—	701
Net income	—	—	—	12,862	—	—	12,862
<b>Balance as of March 31, 2021</b>	<b>128,198,185</b>	<b>\$ 1,282</b>	<b>\$ 491,947</b>	<b>\$ (415,544)</b>	<b>(1,395,089)</b>	<b>\$ (37,500)</b>	<b>\$ 40,185</b>
Share-based compensation	—	—	927	—	—	—	927
Share repurchase	—	—	—	—	(612,745)	(20,000)	(20,000)
Net income	—	—	—	75,966	—	—	75,966
<b>Balance as of June 30, 2021</b>	<b>128,198,185</b>	<b>\$ 1,282</b>	<b>\$ 492,874</b>	<b>\$ (339,578)</b>	<b>(2,007,834)</b>	<b>\$ (57,500)</b>	<b>\$ 97,078</b>

**OPEN LENDING CORPORATION**  
**Condensed Consolidated Statements of Changes in Stockholders' (Deficit)**  
**(Unaudited, in thousands, except share and unit data)**

	Redeemable Convertible Series C Preferred Units		Common Units		Series A and B Preferred Units		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' (Deficit)
	Units	Amount	Units	Amount	Units	Amount	Shares	Amount			
<b>Balance as of December 31, 2019, as originally reported</b>	<b>21,906,852</b>	<b>\$ 304,943</b>	<b>25,381,873</b>	<b>\$ 7,524</b>	<b>29,058,266</b>	<b>\$ 478</b>	<b>—</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (242,781)</b>	<b>\$ (234,779)</b>
Retroactive application of the recapitalization	(7,628,249)	—	(25,381,873)	(7,524)	(29,058,266)	(478)	37,631,052	376	7,626	—	—
<b>Balance as of December 31, 2019, as adjusted</b>	<b>14,278,603</b>	<b>\$ 304,943</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>37,631,052</b>	<b>\$ 376</b>	<b>\$ 7,626</b>	<b>\$ (242,781)</b>	<b>\$ (234,779)</b>
Fair value adjustment of redemption option	—	(47,537)	—	—	—	—	—	—	—	47,537	47,537
Share-based compensation	—	—	—	—	—	—	—	—	487	—	487
Distribution to Open Lending, LLC unitholders	—	—	—	—	—	—	—	—	—	(135,380)	(135,380)
Net income	—	—	—	—	—	—	—	—	—	8,172	8,172
<b>Balance as of March, 31 2020</b>	<b>14,278,603</b>	<b>\$ 257,406</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>37,631,052</b>	<b>\$ 376</b>	<b>\$ 8,113</b>	<b>\$ (322,452)</b>	<b>\$ (313,963)</b>
Recapitalization transaction, net of transaction costs	(14,278,603)	(257,406)	—	—	—	—	54,218,857	542	242,001	—	242,543
Deferred tax asset	—	—	—	—	—	—	—	—	1,874	—	1,874
Estimated fair value of contingent consideration at June 10, 2020	—	—	—	—	—	—	—	—	(347,089)	—	(347,089)
Share-based compensation	—	—	—	—	—	—	—	—	2,189	—	2,189
Net loss	—	—	—	—	—	—	—	—	—	(49,805)	(49,805)
<b>Balance as of June 30, 2020</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>91,849,909</b>	<b>\$ 918</b>	<b>\$ (92,912)</b>	<b>\$ (372,257)</b>	<b>\$ (464,251)</b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**OPEN LENDING CORPORATION**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited, in thousands)**

	<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 88,828	\$ (41,633)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Share-based compensation	1,628	2,676
Depreciation and amortization	537	483
Amortization of right-of-use assets	268	188
Gain on extinguishment of tax receivable agreement	(55,422)	—
Loss on extinguishment of debt	8,778	—
Change in fair value of contingent consideration	—	48,802
Deferred income taxes	16,903	775
Changes in assets & liabilities:		
Accounts receivable	(3,217)	574
Contract assets	(22,591)	225
Prepaid expenses	(2,517)	(1,150)
Deferred transaction costs	—	1,081
Other current and non-current assets	1,384	322
Accounts payable	(1,455)	176
Accrued expenses	1,377	(1,184)
Income tax payable/receivable	(1,720)	569
Operating lease liabilities	(349)	(178)
Other current and non-current liabilities	551	280
<b>Net cash provided by operating activities</b>	<b>32,983</b>	<b>12,006</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(841)	(424)
<b>Net cash used in investing activities</b>	<b>(841)</b>	<b>(424)</b>
<b>Cash flows from financing activities</b>		
Proceeds from term loans	125,000	170,000
Proceeds from revolving facility	50,000	—
Payments on term loans	(167,628)	(4,380)
Payments on revolving facility	(25,000)	—
Payment of deferred financing costs	(1,669)	(9,767)
Share repurchase	(20,000)	—
Settlement of tax receivable agreement	(36,948)	—
Distributions to Open Lending, LLC unitholders	—	(135,380)
Recapitalization transaction, net of transaction costs	—	(13,289)
<b>Net cash (used in) provided by financing activities</b>	<b>(76,245)</b>	<b>7,184</b>
<b>Net change in cash and cash equivalents and restricted cash</b>	<b>(44,103)</b>	<b>18,766</b>
<b>Cash and cash equivalents and restricted cash at the beginning of the period</b>	<b>104,148</b>	<b>9,898</b>
<b>Cash and cash equivalents and restricted cash at the end of the period</b>	<b>\$ 60,045</b>	<b>\$ 28,664</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 3,776	\$ 3,958
Income tax paid, net	12,452	20
<b>Non-cash investing and financing:</b>		
Internally developed software costs accrued but not paid	660	—
Change in fair value of redeemable convertible Series C preferred units	—	(47,537)
Conversion of preferred stock to common stock	—	257,406

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.



**OPEN LENDING CORPORATION**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**Note 1—Description of Business, Background and Nature of Operations**

Open Lending Corporation, headquartered in Austin, Texas, provides loan analytics, risk-based loan pricing, risk modeling, and automated decision technology for automotive lenders throughout the United States of America, which allows each lending institution to book incremental near-prime and non-prime automotive loans out of their existing business flow. The Company also operates as a third-party administrator that adjudicates insurance claims and refunds on those automotive loans.

Nebula Acquisition Corporation (“Nebula”), our predecessor, was originally incorporated in Delaware on October 2, 2017 as a special purpose acquisition company for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. On June 10, 2020 (the “Closing Date”), Nebula consummated a business combination (the “Business Combination”) pursuant to that certain Business Combination Agreement, dated as of January 5, 2020 (as amended by that certain Amendment No. 1 and Waiver, dated as of March 18, 2020, that certain Amendment No. 2 and Consent, dated as of March 26, 2020, that certain Amendment No. 3, dated as of May 13, 2020, and that certain amendment No. 4, dated as of June 9, 2020, the “Business Combination Agreement”) by and among Nebula, Open Lending, LLC, a Texas limited liability company, BRP Hold 11, Inc., a Delaware corporation (“Blocker”), the Blocker’s sole stockholder, Nebula Parent Corp., a Delaware corporation (“ParentCo”), NBLA Merger Sub LLC, a Texas limited liability company, NBLA Merger Sub Corp., a Delaware corporation, and Shareholder Representative Services LLC, a Colorado limited liability company, as the Securityholder Representative.

Immediately upon the completion of the Business Combination and the other transactions contemplated by the Business Combination Agreement (the “Transactions”, and such completion, the “Closing”), Open Lending, LLC became a wholly-owned subsidiary of ParentCo, and, ParentCo changed its name to Open Lending Corporation. The Company is now listed on NASDAQ under the symbol “LPRO.”

Unless the context otherwise requires, “we,” “us,” “our,” “Open Lending,” and the “Company” refers to Open Lending Corporation, the combined company and its subsidiaries following the Business Combination. “Open Lending, LLC” and “Nebula” refers to Open Lending, LLC and Nebula Acquisition Corporation prior to the Closing Date.

The Company has evaluated how it is organized and managed and has identified only one operating segment. All of the Company’s operations and assets are in the United States, and all of its revenues are attributable to United States customers.

**Note 2—Summary of Significant Accounting and Reporting Policies and Recent Developments**

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying condensed consolidated financial statements.

**a) Basis of presentation and consolidation**

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) and include the accounts of Open Lending and all its subsidiaries that are directly or indirectly owned or controlled by the Company. All intercompany transactions and balances have been eliminated upon consolidation.

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted from these condensed consolidated financial statements, as permitted by SEC rules and regulations. The Company believes the disclosures made in these condensed consolidated financial statements are adequate to make the information herein not misleading. The Company recommends that these condensed consolidated financial statements should be read in conjunction with its audited consolidated financial statements and related notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2020.

The interim data includes all adjustments, consisting only of normal recurring adjustments, that are, in the opinion of the Company’s management, necessary for a fair statement of the results for the interim periods presented. The results of operations for the three and six months ended June 30, 2021 are not necessarily indicative of the Company’s operating results for the entire fiscal year ending December 31, 2021.

The Business Combination is accounted for as a reverse recapitalization as Open Lending, LLC was determined to be the accounting acquirer under Financial Accounting Standards Board’s Accounting Standards Codification Topic 805,

**OPEN LENDING CORPORATION**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

Business Combinations (“ASC 805”). The determination is primarily based on the evaluation of the following facts and circumstances:

- the pre-combination unitholders of Open Lending, LLC hold the majority of voting rights in the Company;
- the pre-combination unitholders of Open Lending, LLC have the right to appoint the majority of the directors of the Company;
- senior management of Open Lending, LLC became the senior management of the Company; and
- operations of Open Lending, LLC comprise the ongoing operations of the Company.

In connection with the Business Combination, all outstanding units of Open Lending, LLC were converted into common stock of the Company, par value \$0.01 per share, representing a recapitalization, and the net assets of Nebula were acquired at historical cost, with no goodwill or intangible assets recorded. Open Lending, LLC was deemed to be the predecessor of the Company, and the consolidated assets and liabilities and results of operations prior to the Closing are those of Open Lending, LLC. The shares and corresponding capital amounts and net income per share available to common stockholders, prior to the Business Combination, have been retroactively restated as shares reflecting the exchange ratio established in the Business Combination Agreement. The number of Series C preferred units in mezzanine equity was also retroactively restated in shares reflecting the exchange ratio, and the carrying amount of the Series C preferred units is based on the fair value of its redemption amount on each reporting date. All Series C preferred units were converted to the Company’s common stock on the Closing Date.

**b) COVID-19**

The COVID-19 pandemic continues to create uncertainty regarding the U.S. and global economies and our operating results, financial condition and cash flows. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration and continued spread of variants of COVID-19; the impact on our revenues, which are generated with automobile lenders and insurance company partners and driven by consumer demand for automobiles and automotive loans; extended closures of businesses, the effectiveness of the vaccine distribution program and the vaccines themselves; unemployment levels and the overall impact on our customer behavior, all of which are uncertain and cannot be predicted. The Company is diligently working to ensure that we can continue to operate with minimal disruption, mitigate the impact of the pandemic on our employees’ health and safety, and address potential business interruptions on ourselves and our customers. The Company believes that the COVID-19 pandemic, the mitigation efforts and the resulting economic impact have had, and may continue to have, an overall adverse effect on our business, results of operations and financial condition. The Company saw a reduction in loan applications and certified loans throughout the majority of 2020. As consumers and lenders have adjusted to the pandemic, application and certification levels have increased in 2021. Lenders’ forbearance programs, government stimulus packages, extended unemployment benefits and other government assistance have resulted in a reduction in expected defaults since the onset of the pandemic. As these programs end, defaults may increase. The potential increase in defaults may impact our revenues and subsequent recovery as the automotive finance industry and overall economy recover. The Company continues to closely monitor the current macro environment, particularly monetary and fiscal policies.

**c) Emerging growth company**

The Company is an “emerging growth company” as defined in Section 2(a)(19) of the Securities Act, as modified by the Jumpstart Our Business Startups Act (“JOBS Act”). As such, the Company is eligible for and intends to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as it continues to be an emerging growth company, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act, (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (iii) reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements.

The Company will remain an emerging growth company until the earliest of (i) the Company is deemed to be a “large accelerated filer,” as defined in the Exchange Act, (ii) the last day of the fiscal year in which it has total annual gross revenue of \$1.07 billion or more during such fiscal year, (iii) the date on which it has issued more than \$1 billion in non-

**OPEN LENDING CORPORATION**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

convertible debt in the prior three-year period or (iv) the last day of the fiscal year following the fifth anniversary of the date of the first sale of the Company's common stock in the Company's initial public offering. The Company expects to be deemed a large accelerated filer beginning January 1, 2022.

**d) Concentrations of revenue and credit risks**

The Company's business relationships with its two insurance partners currently producing revenue generate approximately 66% of the Company's total revenue for each of the three and six months ended June 30, 2021, with the top insurance partner accounting for approximately 64% of the total profit share revenue. In the event that one or more of our other significant customers terminate their relationships with us, or elect to utilize an alternative source for financing, the number of loans originated through the Lender's Protection Platform ("LPP") would decline, which would materially and adversely affect our business and, in turn, our revenue.

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash and accounts receivable to the extent of the amounts recorded on the balance sheets.

Cash and cash equivalents are deposited in commercial analysis and savings accounts at two financial institutions, both with high credit standing. Restricted cash relates to funds held by the Company on behalf of the insurance carriers, delegated for the use of insurance claim payments. Restricted cash is deposited in commercial analysis accounts at one financial institution. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation insurance limits of \$250,000 per institution. The Company has not experienced any losses on its deposits of cash and cash equivalents and management believes the Company is not exposed to significant risks on such accounts.

The Company's accounts receivables are derived from revenue earned from customers. The Company performs credit evaluations of its customers' financial condition. As of June 30, 2021 and December 31, 2020, there was no allowance for doubtful accounts. At June 30, 2021, the Company had one customer that represented 16% of the Company's accounts receivable. At December 31, 2020, the Company had one customer that represented 19% of the Company's accounts receivable.

**e) Use of estimates and judgments**

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates, and those differences may be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The most significant items subject to such estimates and assumptions include, but are not limited to, profit share revenue recognition and the corresponding impact on contract assets, the recognition of the valuations of share-based compensation arrangements, and assessing the realizability of deferred tax assets. These estimates, although based on actual historical trend and modeling, may potentially show significant variances over time.

In connection with profit share revenue recognition and the estimation of contract asset under Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606"), we use forecasts of loan-level earned premium and insurance claim payments. These forecasts are driven by the projection of loan defaults, prepayments and default severity rates. These assumptions are based on our observations of the historical behavior for loans with similar risk characteristics. The assumptions also take into consideration the forecast adjustments under various macroeconomic conditions, including the potential impact from the COVID-19 pandemic, and the current mix of the underlying portfolio of our insurance partners. As the Company closely monitors the development of the pandemic and its ongoing impact on Open Lending's business, management has accordingly adjusted these assumptions during the three and six months of 2021 as a result of changes in facts and circumstances and general market conditions derived from the COVID-19 pandemic.

**f) Property and equipment**

The Company's property and equipment balance primarily consists of furniture, fixtures and equipment used in the normal course of business, as well as leasehold improvements and computer software developed for internal use.

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**g) Recently adopted new accounting standards**

On January 1, 2021, the Company adopted ASU 2019-12, which affects general principles within Topic 740, Income Taxes. The amendments of ASU 2019-12 are meant to simplify and reduce the cost of accounting for income taxes. The impact of the adoption of this standard was immaterial to the condensed consolidated financial statements.

On January 1, 2021, the Company adopted ASU 2018-15, Intangibles—Goodwill and Other—Internal—Use Software, Subtopic, 350-40, which provides guidance on a customer’s accounting for implementation costs incurred in a cloud-computing arrangement when hosted by a vendor. The guidance provides that, in a hosting arrangement that is a service contract, certain implementation costs should be capitalized and amortized over the term of the arrangement. The Company adopted this guidance using the prospective method. The impact of the adoption of this standard was immaterial to the condensed consolidated financial statements.

**h) Recently issued accounting pronouncements not yet adopted**

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-13, Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments, which provides guidance regarding the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology in the current guidance with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. This ASU will be effective for the Company commencing after December 31, 2022. The Company is in the process of assessing the impact of this ASU on our condensed consolidated financial statements and disclosures.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform within Topic 848, which provides optional expedients and exceptions to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update apply only to contracts, hedging relationships, and other transactions that reference London Inter-bank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022 for which an entity has elected certain optional expedients and are retained through the end of the hedging relationship. The amendments in this update also include a general principle that permits an entity to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. If elected, the optional expedients for contract modifications must be applied consistently for all eligible contracts or eligible transactions within the relevant ASC Topic or Industry Subtopic that contains the guidance that otherwise would be required to be applied. The amendments in this update were effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is evaluating the effect of ASU 2020-04 on the Company’s condensed consolidated financial statements.

Although there are several other new accounting pronouncements issued or proposed by the FASB, which we have adopted or will adopt, as applicable, the Company does not believe any of these accounting pronouncements has had or will have a material impact on the Company’s condensed consolidated financial position or results of operations.

**Note 3—Business Combination**

On June 10, 2020, Nebula consummated a business combination with Open Lending, LLC pursuant to the Business Combination Agreement. Pursuant to ASC 805, for financial accounting and reporting purposes, Open Lending, LLC was deemed the accounting acquirer and Nebula was treated as the accounting acquiree, and the Business Combination was accounted for as a reverse recapitalization. Accordingly, the Business Combination was treated as the equivalent of Open Lending, LLC issuing equity for the net assets of Nebula, accompanied by a recapitalization. Under this method of accounting, the consolidated financial statements of Open Lending, LLC are the historical financial statements of Open Lending Corporation. The net assets of Nebula were stated at historical costs, with no goodwill or other intangible assets recorded in accordance with U.S. GAAP, and are consolidated with Open Lending, LLC’s financial statements on the Closing Date. The shares and net income (loss) per share available to holders of the Company’s common stock, prior to the Business Combination, have been retroactively restated as shares reflecting the exchange ratio established in the Business Combination Agreement.

As a result of the Business Combination, Open Lending, LLC’s unitholders received aggregate consideration of approximately \$1.0 billion, which consisted of (i) \$328.8 million in cash at the Closing, net of transaction expenses, (ii) \$135.0 million in cash

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distribution from debt issued in March 2020, and (iii) 51,909,655 shares of common stock valued at \$10.00 per share, totaling \$519.1 million. In addition, Open Lending, LLC's unitholders received additional contingent consideration of 22,500,000 shares based on meeting certain thresholds following the Business Combination. All contingent consideration shares were issued or released during the third quarter of 2020.

In connection with the Business Combination, the Company incurred direct and incremental costs of approximately \$55.5 million related to the equity issuance, consisting primarily of investment banking, legal, accounting and other professional fees, which were recorded to additional paid-in capital as a reduction of proceeds. In addition, the Company incurred \$9.1 million in transaction bonuses paid to key employees and directors and \$2.2 million in non-cash share-based compensation expense due to the accelerated vesting of Open Lending, LLC's legacy share-based compensation plan in the second quarter of 2020. The transaction bonuses and share-based compensation are included in general and administrative expense on our consolidated statements of operations and comprehensive income (loss) during the second quarter of 2020. See [Note 7—Share-Based Compensation](#) for additional information.

**Note 4—Debt**

The following table provides a summary of the Company's debt as of the dates indicated:

	June 30, 2021	December 31, 2020
	<i>(in thousands)</i>	
Revolving Facility, matures in 2026	\$ 25,000	\$ —
Term Loan due 2026	124,219	—
Term Loan due 2027	—	166,813
Less: unamortized deferred financing costs	(1,576)	(9,066)
Total debt	147,643	157,747
Less: current portion of debt	(3,125)	(4,888)
<b>Total long-term debt, net of deferred financing costs</b>	<b>\$ 144,518</b>	<b>\$ 152,859</b>

*Term Loan due 2027*

On March 11, 2020, the Company entered into a credit agreement with UBS A.G. as the administrative agent and the lenders from time to time party thereto (the "Credit Agreement"). Pursuant to the Credit Agreement, the lenders thereto funded a term loan (the "Term Loan due 2027") in a principal amount of \$170.0 million bearing an interest rate per annum of LIBOR plus 6.5% (subject to a LIBOR floor of 1%), with a maturity date in March 2027. The Term Loan due 2027 was retired by the Company paying off its outstanding principal and interest with proceeds from issuance of the Term Loan due 2026 and the Revolving Facility (both as defined below) in March 2021. The transaction was deemed as a debt extinguishment under ASC Topic 405-20, "Liabilities—Extinguishments of Liabilities," and accordingly, the Company recognized a non-cash debt extinguishment loss of \$8.8 million, which was recorded under the caption loss on extinguishment of debt in the condensed consolidated statements of operations and comprehensive income during the six months ended June 30, 2021. The loss on debt extinguishment was calculated as the difference between the carrying amount of the debt and the price paid to retire the debt, which primarily consisted of the write-off of the unamortized deferred financing costs related to the Term Loan due 2027.

*New Credit Agreement—Term Loan due 2026 and Revolving Credit Facility*

On March 19, 2021, the Company entered into a credit agreement with Wells Fargo Bank, N.A. as the administrative agent (the "New Credit Agreement"), pursuant to which the lenders thereto (i) funded a senior secured term loan in an aggregate principal amount of \$125.0 million maturing in March 2026 (the "Term Loan due 2026") and (ii) committed to provide a \$50.0 million senior secured revolving credit facility, including a \$10.0 million letter of credit sub-facility, maturing in March 2026 (the "Revolving Facility"). The obligations of the Company under the Term Loan due 2026 and the Revolving Facility are guaranteed by all of the Company's U.S. subsidiaries and are secured by substantially all of the assets of the Company and its U.S. subsidiaries, subject to customary exceptions.

Interest under the Term Loan due 2026 and the Revolving Facility are, at the option of the Company, either at an Alternate Base Rate ("ABR") plus a spread ranging from 0.75% to 1.50%, or LIBOR plus a spread ranging from 1.75% to 2.50%. With respect to the ABR loans, interest will be payable at the end of each calendar quarter. With respect to the LIBOR loans, interest will be

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payable at the end of the selected interest period. Additionally, there is a commitment fee payable at the end of each quarter at a rate per annum ranging from 0.200% to 0.275% based on the average daily unused portion of the Revolving Facility, and other customary letter of credit fees. Pursuant to the New Credit Agreement, the interest rate spreads and commitment fees increase or decrease in increments as our Funded Secured Debt/EBITDA ratio increase or decreases.

As of June 30, 2021, both the Term Loan due 2026 and the Revolving Facility are subject to LIBOR of 0.098% plus a spread of 2.00% per annum. In June 2021, the Company made a payment of \$25.0 million to the outstanding balance of the Revolving Facility and has an unused commitment balance of \$25.0 million under the Revolving Facility at June 30, 2021. Commitment fees will be accrued at 0.225% per annum on the unused commitment balance.

In connection with the issuance of the Term Loan due 2026 and the Revolving Facility, the Company incurred total deferred financing costs of \$1.7 million, of which \$1.2 million was allocated to the Term Loan due 2026 and \$0.5 million was allocated to the Revolving Facility. The deferred financing costs were capitalized as a contra-liability against the principal balance of the loans and are amortized as interest expense using the effective interest method. Unamortized deferred financing costs were \$1.6 million as of June 30, 2021. As of June 30, 2021, the weighted average effective interest rate on our outstanding borrowings was 2.38%.

The New Credit Agreement contains a maximum total net leverage ratio financial covenant and a minimum fixed charge coverage ratio financial covenant that are tested quarterly starting with the quarter ending June 30, 2021. The maximum total net leverage ratio is 3.5 to 1.0 for periods on or prior to December 31, 2022, and then decreases to 3.0 to 1.0 after December 31, 2022. The minimum fixed charge coverage ratio is 1.25 to 1.0. As of June 30, 2021, the Company was in compliance with all required covenants under the New Credit Agreement.

**Note 5—Stockholders' Equity**

On June 11, 2020, Open Lending Corporation's common stock began trading on the NASDAQ under the symbol "LPRO." Pursuant to the terms of the Amended and Restated Certificate of Incorporation, the Company is authorized and has available for issuance the following shares and classes of capital stock, each with a par value of \$0.01 per share: (i) 550,000,000 shares of common stock; and (ii) 10,000,000 shares of preferred stock. Immediately following the Business Combination, there were 91,849,909 shares of common stock, which excluded 3,437,500 shares issued and outstanding that were subject to certain lock-up and forfeiture arrangements, with a par value of \$0.01 per share, and 9,166,659 warrants outstanding. In addition to the shares issued on the Closing Date, Open Lending, LLC's unitholders received additional contingent consideration of 22,500,000 shares and certain Nebula's equity holders received 1,250,000 earn-out shares of common stock as the price of the Company's common stock trading on the NASDAQ met certain thresholds following the Business Combination. As discussed in [Note 3—Business Combination](#), the Company has retroactively adjusted the shares issued and outstanding prior to June 10, 2020 to give effect to the exchange ratio established in the Business Combination Agreement to determine the number of shares of common stock into which they were converted.

In connection to the Business Combination, on July 1, 2020, the Company filed a Registration Statement on Form S-1 to register 52,916,659 shares of common stock for the issuance by the Company of (i) up to an aggregate of 23,750,000 shares of our common stock that may be issued as earn-out consideration upon certain triggering events, and (ii) 9,166,659 shares of our common stock that may be issued upon exercise of warrants to purchase common stock at an exercise price of \$11.50 per share of common stock, herein referenced as public warrants.

*Underwritten Public Offering*

On April 6, 2021, the Company completed an underwritten public offering of 9,000,000 shares of our common stock at a public offering price of \$34.00 per share. All shares were sold by existing stockholders, including Nebula Holdings, LLC and its affiliates, Bregal Sagemount, and certain executive officers of the Company. The selling stockholders also granted the underwriters a 30-day option to purchase up to 1,350,000 additional shares of common stock. The Company did not issue any shares and did not receive any of the proceeds of the offering.

*Share Repurchase*

Pursuant to a Stock Repurchase Agreement, dated as of March 29, 2021, between Open Lending and the selling stockholders named therein, the Company repurchased from the selling stockholders on April 6, 2021 an aggregate number of 612,745

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shares of its common stock totaling \$20.0 million at the same per share price paid by the underwriters to the selling stockholders in the offering. The \$20.0 million stock repurchase was recorded in treasury stock at cost.

#### *Dividend*

Any decision to declare and pay dividends in the future will be made at the sole discretion of the Company's Board of Directors and will depend on, among other things, results of operations, cash requirements, financial condition, contractual restrictions and other factors that Company's Board of Directors may deem relevant. In addition, the Company's ability to pay dividends is limited by covenants in the Company's existing indebtedness and may be limited by the agreements governing other indebtedness that it or its subsidiaries incur in the future.

#### **Note 6—Revenue**

The Company accounts for a contract with a customer when both parties have approved the contract and are committed to perform their respective obligations, each party's rights and payment terms can be identified, the contract has commercial substance, and it is probable the Company will collect substantially all of the consideration to which it is entitled. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer.

#### *Revenue from contracts with lending institutions*

Program fees are derived from contracts with automotive lenders. Through the Company's proprietary LPP, the Company enables automotive lenders to make loans that are insured against certain credit losses from defaults. The Company generates program fee revenue from our proprietary, cloud-based software platform that enables automotive lenders, Original Equipment Manufacturing ("OEM") captive finance companies and other financial institutions (collectively "lending institutions") to approve loans to traditionally underserved non-prime or near-prime borrowers.

The Company receives program fees for providing loan decision-making analytics solutions and automated issuance of credit default insurance with third-party insurance providers. The Company's performance obligation is complete when a loan is certified through LPP and is issued by the lending institution. Program fee contracts contain a single performance obligation, which consist of a series of distinct services that are substantially the same with the same pattern of transfer to customers.

Program fees are based on a percentage of the initial principal amount of the loans processed by the Company. There are two types of payment arrangements: i) a single pay program fee is due based on the volume of loans originated by the lending institution in a calendar month; or ii) a monthly pay program fee is due in equal monthly installments within 12 months of loan origination.

The Company bills the customer for an amount calculated based on the actual number of loans processed in a calendar month, which corresponds directly with the value of service transferred to the customer in that month.

#### *Revenue from contracts with insurance carriers*

At June 30, 2021, the Company has producer agreements with three insurance carrier partners from which the Company earns or will earn profit share revenue and claims administration service fees.

In the profit share arrangement, the Company facilitates placement of credit default insurance policies with lending institutions on behalf of our insurance partners. Profit share revenue represents our participation in the underwriting profit of our third-party insurance partners who provide lenders with credit default insurance on loans the automotive lenders make using our LPP. The Company receives a percentage of the aggregate monthly insurance underwriting profit. Monthly insurance underwriting profit is calculated as the monthly earned premium less expenses and losses (including reserves for incurred but not reported losses), with losses accrued and carried forward for future profit share calculations. The Company fulfills its performance obligation upon placement of the insurance, at which point the Company is entitled to the profit share of all future net premiums earned by the insurance carrier on the policy.

To determine the profit share revenue, the Company uses forecasts of loan-level earned premium and insurance claim payments. These forecasts are driven by the projection of loan defaults, prepayments and severity rates. These assumptions are based on our observations of the historical behavior for loans with similar risk characteristics. The assumptions also take

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consideration of the forecast adjustments under various macroeconomic conditions and the current mix of the underlying portfolio of our insurance partners. To the extent these assumptions change, our profit share revenue is adjusted.

In accordance with ASC 606, at the time of the placement of a policy by an insurance company, the Company estimates the variable consideration based on undiscounted expected future profit share to be received from the insurance carriers. The Company applies economic stress factors in the Company's forecast to constrain its estimation of future profit share revenue to an amount reflecting the Company's belief that a significant reversal in the cumulative amount of revenue is not probable of occurring when the uncertainty is resolved.

Claims administration service fees are generated from us acting as a third-party administrator to process and adjudicate the credit default insurance claims on behalf of the insurance companies. In this arrangement, the performance obligation to provide claims administration services is generally satisfied over time, with the customer simultaneously receiving and consuming the benefits as the Company satisfies our performance obligations.

#### *Contract Balances*

Contract assets for the periods indicated below were as follows:

	Contract Assets			
	Profit Share	TPA Fee	Program Fee	Total
	<i>(in thousands)</i>			
<b>Ending balance as of December 31, 2020</b>	\$ 83,177	\$ 822	\$ 5,343	\$ 89,342
Increase of contract assets due to new business generation	49,673	3,053	35,508	88,234
Adjustment of contract assets due to estimation of revenue from performance obligations satisfied in previous periods	16,899	—	—	16,899
Receivables transferred from contract assets upon billing the lending institutions	—	—	(34,903)	(34,903)
Payments received from insurance carriers	(44,863)	(2,776)	—	(47,639)
<b>Ending balance as of June 30, 2021</b>	<b>\$ 104,886</b>	<b>\$ 1,099</b>	<b>\$ 5,948</b>	<b>\$ 111,933</b>

As of June 30, 2021 and December 31, 2020, our contract assets consisted of \$61.0 million and \$50.4 million, respectively, as the portion estimated to be received within one year, and \$50.9 million and \$39.0 million, respectively, in the non-current portion to be received beyond one year. During the six months ended June 30, 2021, the profit share component of our contract assets increased \$49.7 million in anticipated profit share associated with 79,726 new certified loans for an average of \$623 per loan, and a \$16.9 million positive adjustment in the contract asset related to performance obligations satisfied in previous periods as a result of the continued positive portfolio performance due to lower than projected default frequency and severity stress and overall fewer claims for loss. This positive change in estimate of \$16.9 million in the first six months of 2021 resulted in an increase in the contract asset, revenues and expected future cash flows from historical vintages. The Company received \$24.9 million and \$44.9 million, respectively, in profit share payments from our insurance carriers, during the three and six months ended June 30, 2021, an increase in collections over our previous quarters. The increase is primarily the result of an increase in certified loan volumes and our carriers releasing reserves established due to uncertainty related to the COVID-19 pandemic. More specifically, reserves were established to reflect the potential for higher defaults, increased severity of defaults and accelerated prepayments. These risks have not materialized as the portfolio has performed better than expected.

#### *Contract Costs*

The fulfillment costs associated with our contracts with customers do not meet the criteria for capitalization and therefore are expensed as incurred.

#### *Disaggregation of Revenues*

The Company disaggregates revenues by revenue source (i.e. program fee, profit share and claims administration service fee), and the level of disaggregation is presented in the condensed consolidated statement of operations and comprehensive income.



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**Note 7—Share-Based Compensation**
*Class B Common Unit Incentive Plan (the “Class B Plan”)*

Prior to the Business Combination, commencing in 2013, the Board of Managers of Open Lending, LLC approved the Class B Unit Incentive Plan (the “Class B Plan”), which was a form of long-term compensation that provided for the issuance of ownership shares to service providers for purposes of retaining them and enabling such individuals to participate in the long-term growth and financial success of Open Lending, LLC. As a result of the Business Combination, the Board of Managers approved an acceleration of the awards granted in connection with the Class B Plan, to allow accelerated vesting of the units at the consummation of the Business Combination. On the date of the Closing, the Class B common units were converted into shares of Company common stock utilizing the exchange ratio established in the Business Combination Agreement, and the accelerated vesting of 571,983 awards resulted in \$2.2 million of non-cash share-based compensation expense recorded to general and administrative expense during the three months ended June 30, 2020.

*2020 Stock Option and Incentive Plan (the “2020 Plan”)*

Prior to the closing of the Business Combination, on June 9, 2020, Nebula’s stockholders approved the 2020 Plan. The 2020 Plan provides for the grant of stock options, stock appreciation rights, restricted stock units and other stock or cash-based awards. The Company initially reserved 9,693,750 shares, approximately 10% of its common stock outstanding upon the Closing, as the “Initial Limit” for the issuance of awards under the 2020 Plan. The 2020 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1, beginning on January 1, 2021, by 4% of the outstanding number of shares of the Company’s common stock on the immediately preceding December 31, or the “Annual Increase.” This limit is subject to adjustment in the event of a stock split, stock dividend or other change in the Company’s capitalization. As of June 30, 2021, the shares reserved and available for issuance under the 2020 Plan is 14,206,901, which includes the 4% annual increase in 2021 less restricted stock units and stock options granted under the 2020 Plan.

Share-based compensation expense recorded for each type of award is as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<i>(in thousands)</i>			
Time-Based Restricted Stock Units	\$ 458	\$ —	\$ 691	\$ —
Performance-Based Restricted Stock Units	276	—	553	—
Stock Options	193	—	384	—
Class B Common Units	—	2,189	—	2,676
<b>Total share-based compensation expense</b>	<b>\$ 927</b>	<b>\$ 2,189</b>	<b>\$ 1,628</b>	<b>\$ 2,676</b>

During the three and six months ended June 30, 2021 and 2020, share-based compensation expense was allocated to cost of services, general and administrative, selling and marketing, and research and development, generally based on the functional responsibilities of the awarded unit holders in the accompanying condensed consolidated statements of operations and comprehensive income as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<i>(in thousands)</i>			
General and administrative	\$ 773	\$ 2,189	\$ 1,327	\$ 2,633
Selling and marketing	91	—	182	12
Cost of services	29	—	57	25
Research and development	34	—	62	6
<b>Total</b>	<b>\$ 927</b>	<b>\$ 2,189</b>	<b>\$ 1,628</b>	<b>\$ 2,676</b>

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The following table provides information related to the Company's share-based compensation award activity for the six months ended June 30, 2021:

	Time-Based Restricted Stock Units		Stock Options		Performance-Based Restricted Stock Units	
	Number of Awards	Weighted Average Fair Value at Grant Date	Number of Awards	Weighted Average Exercise Price	Number of Awards	Weighted Average Fair Value at Grant Date
<b>Outstanding as of December 31, 2020</b>	<b>109,920</b>	<b>\$ 28.20</b>	<b>199,764</b>	<b>\$ 33.56</b>	<b>—</b>	<b>\$ —</b>
Granted	150,000	38.65	—	—	99,289	33.44
Vested/Exercised	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
<b>Outstanding as of June 30, 2021</b>	<b>259,920</b>	<b>\$ 34.23</b>	<b>199,764</b>	<b>\$ 33.56</b>	<b>99,289</b>	<b>\$ 33.44</b>

The unrecognized share-based compensation expense at June 30, 2021 was as follows:

	Unrecognized Share-based Compensation Expense	Weighted Average Amortization Period
	<i>(in thousands)</i>	
Time-Based Restricted Stock Units	\$ 8,059	3.46 years
Stock Options	2,710	3.50 years
Performance-Based Restricted Stock Units	2,767	2.50 years
<b>Total unrecognized share-based compensation expense</b>	<b>\$ 13,536</b>	<b>3.28 years</b>

**Note 8—Net Income (Loss) per Share**

Pursuant to the Restated and Amended Certificate of Incorporation and as a result of the reverse recapitalization, the Company has retrospectively adjusted the weighted average shares outstanding prior to June 10, 2020 to give effect to the exchange ratio used to determine the number of shares of common stock into which they were converted.

Basic net income (loss) per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per share is computed based on the weighted average number of common shares outstanding plus the effect of potentially dilutive common shares outstanding during the period using the applicable methods. The potentially dilutive common shares during the three and six months ended June 30, 2021 include unvested stock options, time-based restricted stock units, and performance-based restricted stock units containing conditions that are based on the operating results of the Company, which are considered contingently issuable in the diluted net income (loss) calculation, and which are accounted for using the treasury stock method. The potentially dilutive common shares are included in the calculation of diluted net income (loss) per share only when their effect is dilutive.

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The following table sets forth the computation of basic and diluted net income (loss) per share attributable to common stockholders for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<i>(in thousands, except shares and per share data)</i>				
<b>Basic net income (loss) per share:</b>				
<b>Numerator</b>				
Net income (loss)	\$ 75,966	\$ (49,805)	\$ 88,828	\$ (41,633)
Preferred distribution to redeemable convertible Series C preferred units	—	(214)	—	(40,689)
Non-cash adjustment to redemption amount of the redeemable convertible Series C preferred units	—	—	—	47,537
Net income (loss) attributable to common stockholders	<u>\$ 75,966</u>	<u>\$ (50,019)</u>	<u>\$ 88,828</u>	<u>\$ (34,785)</u>
<b>Denominator</b>				
Weighted average common shares	126,230,752	49,547,284	126,515,343	43,589,168
<b>Basic net income (loss) per share attributable to common stockholders</b>	<b>\$ 0.60</b>	<b>\$ (1.01)</b>	<b>\$ 0.70</b>	<b>\$ (0.80)</b>
<b>Diluted net income (loss) per share:</b>				
<b>Numerator</b>				
Net income (loss) attributable to common stockholders	\$ 75,966	\$ (50,019)	\$ 88,828	\$ (34,785)
<b>Denominator</b>				
Basic weighted average common shares	126,230,752	49,547,284	126,515,343	43,589,168
Dilutive effect of outstanding Time-Based Restricted Stock Units	43,445	—	38,739	—
Diluted weighted average common shares	<u>126,274,197</u>	<u>49,547,284</u>	<u>126,554,082</u>	<u>43,589,168</u>
<b>Diluted net income (loss) per share attributable to common stockholders</b>	<b>\$ 0.60</b>	<b>\$ (1.01)</b>	<b>\$ 0.70</b>	<b>\$ (0.80)</b>

The following potentially dilutive outstanding securities for the three and six months ended June 30, 2021 and 2020 were excluded from the computation of diluted net income (loss) per share because their effect would have been anti-dilutive for the periods presented, or issuance of such shares is contingent upon the satisfaction of certain conditions which were not satisfied by the end of the periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Unvested Stock Options	199,764	—	199,764	—
Unvested Performance-Based Restricted Stock Units	99,289	—	99,289	—
Redeemable stock warrants	—	9,166,659	—	9,166,659
Contingency consideration	—	27,187,500	—	27,187,500
Retroactively restated Series C preferred units	—	14,278,603	—	14,278,603
<b>Total</b>	<u>299,053</u>	<u>50,632,762</u>	<u>299,053</u>	<u>50,632,762</u>

**Note 9—Fair Value of Financial Instruments**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants. In arriving at a fair value measurement, the Company uses a fair value hierarchy based on three

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levels of inputs, of which the first two are considered observable and the last unobservable. The three levels of inputs used to establish fair value are the following:

- Level 1 — Quoted prices in active markets for identical assets or liabilities;
- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

*Fair Value Hierarchy*

The following table presents the placement in the fair value hierarchy of the Company's debt instruments at June 30, 2021 and December 31, 2020.

	Carrying value	Fair value measurement at June 30, 2021		
		Level 1	Level 2	Level 3
<i>(in thousands)</i>				
<b>Liabilities:</b>				
Debt at fair value	\$ 147,643	\$ —	\$ 147,643	\$ —
<b>Total</b>	<b>\$ 147,643</b>	<b>\$ —</b>	<b>\$ 147,643</b>	<b>\$ —</b>

	Carrying value	Fair value measurement at December 31, 2020		
		Level 1	Level 2	Level 3
<i>(in thousands)</i>				
<b>Liabilities:</b>				
Debt at fair value	\$ 157,747	\$ —	\$ 157,747	\$ —
<b>Total</b>	<b>\$ 157,747</b>	<b>\$ —</b>	<b>\$ 157,747</b>	<b>\$ —</b>

The carrying amount of the Company's debt approximates its fair value due to its variable interest rate that is tied to the current LIBOR plus an applicable spread. The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of any level for the periods ended June 30, 2021 and December 31, 2020.

The Company does not have any long-lived asset which is being measured at fair value on a recurring basis.

**Note 10—Income Taxes**

During the three and six months ended June 30, 2021, the Company recognized income tax expense of \$23.3 million and \$27.7 million. For each of the three and six months ended June 30, 2020, the Company recognized income tax expense of \$1.4 million. The effective tax rate for the three and six months ended June 30, 2021 was 23.4% and 23.8%, respectively, as compared to effective tax rate of (2.8)% and (3.4)% for the three and six months ended June 30, 2020, respectively. The Company's income tax expense for the three and six months ended June 30, 2021 differs from amounts computed by applying the U.S. federal statutory tax rate of 21% primarily due to the early termination of the tax receivable agreement, officer's compensation limitation under Section 162(m), and state income tax expenses. The Company's income tax expense for the three and six months ended June 30, 2020 differs from amounts computed by applying the U.S. federal statutory tax rate of 21% primarily due to the flow-thru entity structure prior to the Business Combination.

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As of June 30, 2021, the Company has assessed whether it is more likely than not that our deferred tax assets will be realized. In making this determination, the Company considers all available positive and negative evidence and makes certain assumptions. The Company considers, among other things, the reversal of its deferred tax liabilities, the overall business environment, its historical earnings and losses, current industry trends and its outlook for future years. The Company believes it is more-likely-than-not all deferred tax assets will be realized and has not recorded any valuation allowance as of June 30, 2021.

Management of the Company has evaluated the aggregate exposure for uncertain tax positions for all open tax years and concluded that the Company and its predecessor have no material uncertain tax positions as of June 30, 2021 or for any open tax years. Tax penalties and interest, if any, would be reflected in the condensed consolidated statements of operations and comprehensive income in other expenses. The Company has not recorded any penalties or interest related to uncertain tax positions as of June 30, 2021 or for any open tax years.

**Note 11—Tax Receivable Agreement**

In connection with the Business Combination, the Company entered into the Tax Receivable Agreement (“TRA”). The TRA generally provides for the payment by the Company to the Open Lending LLC unitholders and Blocker’s sole shareholder (the “TRA holders”), as applicable, of 85% of the net cash savings, if any, in U.S. federal, state and local income tax that the Company actually realizes (or are deemed to realize in certain circumstances) in periods after the Closing as a result of: (i) certain tax attributes of Blocker and/or Open Lending, LLC that existed prior to the Business Combination and were attributable to the Blocker; (ii) certain increases in the tax basis of Open Lending, LLC’s assets resulting from the Transactions; (iii) imputed interest deemed to be paid by the Company as a result of payments the Company makes under the Tax Receivable Agreement; and (iv) certain increases in tax basis resulting from payments the Company makes under the Tax Receivable Agreement. The Company will retain the benefit of the remaining 15% of these cash savings. The liability for the TRA was \$92.4 million at December 31, 2020, which is shown as tax receivable agreement liability on the Company’s condensed consolidated balance sheets.

The Company entered into Amendment No. 1 (the “Amendment”) to the TRA effective April 9, 2021. The Amendment provides that in lieu of early termination payments, the TRA holders are instead entitled to payments equal to 40% of all Tax Benefit Payments (all definitions used herein and otherwise not defined herein shall have the meanings set forth in the Amendment) other than any Actual Interest Amounts that would be required to be paid by the Company under the TRA, using certain valuation. The Amendment provides the Company with the right to terminate and settle all present and future obligations under the TRA with a single payment by the Company to the TRA holders of \$36.9 million (the “Early Termination Right”). Absent the Amendment and the exercise of the Early Termination Right, the Company anticipated making TRA payments totaling \$92.4 million, undiscounted, over the life of the TRA.

On April 12, 2021, an independent committee of disinterested members of the Board of Directors approved the Company’s decision to exercise the Early Termination Right. With the early settlement of the TRA, the Company recognized a gain of \$55.4 million, which is included in gain on extinguishment of tax receivable agreement on the Company’s condensed consolidated statements of operations and comprehensive income.

**Note 12—Related Party Transactions**

In the second quarter of 2021, cash payments were made to certain related parties totaling \$18.5 million in connection with the early termination and settlement of the tax receivable agreement, as discussed in [Note 11—Tax Receivable Agreement](#).

On March 25, 2020, Ross Jessup, the Company’s President, borrowed \$6.0 million from Open Lending, LLC in accordance with the promissory note in place and the loan was paid in full by Mr. Jessup on March 30, 2020, with proceeds received as result of the non-liquidating distribution paid by Open Lending, LLC to its members.

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of Open Lending Corporation’s condensed consolidated results of operations and financial condition. The discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto on Form 10-K for the year ended December 31, 2020. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described under the heading “Risk Factors” set forth elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. Unless the context otherwise requires, references in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” is intended to mean the business and operations of Open Lending Corporation, and its condensed consolidated subsidiaries.*

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “appears,” “shall,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue,” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our financial performance;
- changes in our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects and plans;
- expansion plans and opportunities;
- the impact of the relative strength of the overall economy, including its effect on unemployment, consumer spending and consumer demand for automotive products;
- the growth in loan volume from Original Equipment Manufacturers (“OEM Captives”) relative to that of other automotive lenders, and associated concentration of risks;
- the costs of services in absolute dollars and as a percentage of our program fee revenue;
- general and administrative expenses in absolute dollars and as a percentage of revenue;
- selling and marketing expenses in absolute dollars and as a percentage of program fee revenue;
- research and development expenses in absolute dollars and as a percentage of revenue;
- the impact of projected operating cash flows and available cash on hand on our business operations in the future;
- the turnover in automotive lenders, as well as varying activation rates and volatility in usage of our Lenders Protection Platform (“LPP”) by automotive lenders;
- the outcome of any known and unknown litigation and regulatory proceedings, including such legal proceedings that may be instituted in connection with the Business Combination and transactions contemplated thereby;
- the ability to maintain the listing of our common stock on NASDAQ;
- our ability to recognize the anticipated benefits of the Business Combination, which may be affected by, among other things, competition and our ability to grow and manage growth profitably;
- expenses associated with Open Lending’s growth as a result of demands on its operational, marketing, compliance and accounting infrastructure;
- regulatory agreements between Open Lending and state agencies regarding issues including automotive lender conduct and oversight and loan pricing;
- changes in applicable laws or regulations; and
- the effects of the COVID-19 pandemic on our business.

All forward-looking statements are based on information and estimates available to the Company at the time of this Quarterly Report on Form 10-Q and are not guarantees of future financial performance. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K. We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q. You should not rely upon forward-looking statements as predictions of future events.

## **Business Overview**

We are a leading provider of lending enablement and risk analytics to credit unions, regional banks and the captive finance companies of OEM Captives. Our clients, collectively referred to herein as automotive lenders, make automotive consumer loans to underserved near-prime and non-prime borrowers by harnessing our risk-based pricing models, powered by our proprietary data and real-time underwriting of automotive loan default insurance coverage from insurers. Since our inception in 2000, we have facilitated over \$11.1 billion in automotive loans, accumulating over 20 years of proprietary data and developing over two million unique risk profiles. We currently cater to 380 active automotive lenders.

We specialize in risk-based pricing and modeling and provide automated decisioning-technology for automotive lenders throughout the United States. We believe that we address the financing needs of near-prime and non-prime borrowers, or borrowers with a credit bureau score between 560 and 699, who are underserved in the automotive finance industry. Traditional lenders focus on prime borrowers, where an efficient market has developed with interest rate competition that benefits borrowers. Independent finance companies focus on sub-prime borrowers. Borrowers that utilize the near-prime and non-prime automotive lending market have fewer lenders focused on loans with longer terms or higher advance rates. As a result, many near-prime and non-prime borrowers turn to sub-prime lenders, resulting in higher interest rate loan offerings than such borrower's credit profile often merits or warrants. We seek to make this market more competitive, resulting in more attractive loan terms.

Our flagship product, LPP, enables automotive lenders to make loans that are largely insured against losses from defaults. We have been developing and advancing the proprietary underwriting models used by LPP for approximately 20 years. We believe LPP provides significant benefits to our growing ecosystem of automotive lenders, automobile dealers and insurers.

A key element of LPP is the ability to facilitate risk-based interest rates that are appropriate for each loan and lender and electronically submitted to our automotive lenders within approximately five seconds after we receive a loan application. Our interest rate pricing is customized to each automotive lender, reflecting the cost of capital, loan servicing costs, loan acquisition costs, expected recovery rates and target return on assets of each automotive lender. Using our risk models, we project monthly loan performance results, including expected losses and prepayments for automotive lenders that use LPP. The product of this process is a risk-based interest rate, inclusive of elements to recover all projected costs, program fees and insurance premiums, given the risk of the loan, to return a targeted return on asset goal.

We believe that our market opportunity is significant. The near-prime and non-prime automotive loan market is \$250 billion annually, resulting in an approximately \$14.4 billion annual revenue opportunity. We are currently serving less than 1% of this market, providing a significant growth opportunity.

## **Executive Overview**

We facilitate certified loans and have achieved financial success by increasing our penetration of the near-prime and non-prime automotive loan market while diversifying our customer base and refining our data analysis capabilities.

We facilitated 46,408 and 79,726 certified loans during the three and six months ended June 30, 2021, respectively, as compared to 18,684 and 46,708 certified loans during the three and six months ended June 30, 2020, respectively.

Total revenue was \$61.1 million and \$105.1 million for three and six months ended June 30, 2021, respectively, as compared to \$22.1 million and \$39.5 million during the three and six months ended June 30, 2020, respectively.

Operating income was \$44.9 million and \$74.3 million for three and six months ended June 30, 2021, respectively, as compared to \$3.9 million and \$12.9 million in the three and six months ended June 30, 2020, respectively.

Net income was \$76.0 million and \$88.8 million for three and six months ended June 30, 2021, respectively, as compared to net loss of \$(49.8) million and \$(41.6) million for the three and six months ended June 30, 2020, respectively.

Adjusted EBITDA was \$46.1 million and \$76.3 million for the three and six months ended June 30, 2021, respectively, as compared to \$15.4 million and \$25.0 million during the three and six months ended June 30, 2020, respectively. Information regarding use of Adjusted EBITDA, a non-GAAP measure, and a reconciliation of Adjusted EBITDA to net income (loss), the most comparable GAAP measure, is included in “*Non-GAAP Financial Measures*.”



## Highlights

The table below summarizes the total dollar value of insured loans facilitated and the number of contracts signed with automotive lenders during the three and six months ended June 30, 2021 and 2020.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	<i>(in thousands, except number of contracts)</i>			
Value of insured loans facilitated (1)	\$ 1,170,461	\$ 409,934	\$ 1,950,822	\$ 1,037,031
Number of contracts signed with automotive lenders	22	11	36	28

(1) Value of insured loans are calculated as the total original loan amount of all loans certified for active institutions during each reporting period.

## Key Performance Measures

We review several key performance measures, discussed below, to evaluate business and results, measure performance, identify trends, formulate plans and make strategic decisions. We believe that the presentation of such metrics is useful to our investors and counterparties because they are used to measure and model the performance of companies such as Open Lending, with recurring revenue streams.

### Certified Automotive Loans

We refer to “certified loans” as the number of loans facilitated through LPP during a given period. Additionally, we refer to loans with a one-time upfront payment as “single-pay” loans and those paid over twelve monthly installments as “monthly-pay” loans.

### Average Program Fee

We define “average program fee” as the total program fee revenue recognized for a period divided by the number of certified loans in that period.

### Insurers’ Aggregate Underwriting Profit

We define “insurers’ aggregate underwriting profit” as the total underwriting profit expected to be received by insurers over the expected life of the insured loans.

### Insurers’ Earned Premium

We define “insurers’ earned premium” as the total insurance premium earned by insurers in a given period. Earned premiums were \$52.9 million and \$99.3 million, respectively, for the three and six months ended June 30, 2021 and were \$35.9 million and \$69.5 million for the three and six months ended June 30, 2020.

## Recent Developments

### Term Loan due 2027

On March 11, 2020, the Company entered into a credit agreement with UBS A.G. as the administrative agent and the lenders from time to time party thereto (the “Credit Agreement”). Pursuant to the credit agreement, the lenders thereto funded a term loan (the “Term Loan due 2027”) in a principal amount of \$170.0 million bearing an interest rate per annum of LIBOR plus 6.5% (subject to a LIBOR floor of 1%), with a maturity date in March 2027. The Term Loan due 2027 was retired by the Company paying off its outstanding principal and interest with proceeds from issuance of the Term Loan due 2026 and the Revolving Facility (both as defined below) in March 2021. The transaction was deemed as a debt extinguishment under ASC Topic 405-20, “Liabilities—Extinguishments of Liabilities,” and accordingly, the Company recognized a non-cash debt extinguishment loss of \$8.8 million during the six months ended June 30, 2021, and is recorded under the caption loss on extinguishment of debt in the condensed consolidated statements of operations and comprehensive Income. The loss on debt

extinguishment was calculated as the difference between the carrying amount of the debt and the price paid to retire the debt, which primarily consisted of the write off of the unamortized deferred financing costs related to the Term Loan due 2027.

#### ***New Credit Agreement—Term Loan due 2026 and Revolving Credit Facility***

On March 19, 2021, the Company entered into a credit agreement with Wells Fargo Bank, N.A. as the administrative agent (the “New Credit Agreement”), pursuant to which the lenders thereto (i) funded a senior secured term loan in an aggregate principal amount of \$125.0 million maturing in March 2026 (the “Term Loan due 2026”) and (ii) committed to provide a \$50.0 million senior secured revolving credit facility, including a \$10.0 million letter of credit sub-facility, maturing in March 2026 (the “Revolving Facility”). The obligations of the Company under the Term Loan due 2026 and the Revolving Facility are guaranteed by all of the Company’s U.S. subsidiaries and are secured by substantially all of the assets of the Company and its U.S. subsidiaries, subject to customary exceptions.

Interest under the Term Loan due 2026 and the Revolving Facility are, at the option of the Company, either at an Alternate Base rate (“ABR”) plus a spread ranging from 0.75% to 1.50%, or LIBOR plus a spread ranging from 1.75% to 2.50%. With respect to the ABR loans, interest will be payable at the end of each calendar quarter. With respect to LIBOR loans, interest will be payable at the end of the selected interest period. Additionally, there is a commitment fee payable at the end of each quarter at a rate per annum ranging from 0.200% to 0.275% based on the average daily unused portion of the Revolving Facility, and other customary letter of credit fees. Pursuant to the New Credit Agreement, the interest rate spreads and commitment fees increase or decrease in increments as our Funded Secured Debt/EBITDA ratio increase or decreases. As of June 30, 2021, both the Term Loan due 2026 and the Revolving Facility are subject to LIBOR of 0.098% plus a spread of 2.00% per annum, and we do not have an unused commitment balance under the Revolving Facility. In June 2021, the Company made a payment of \$25.0 million to the outstanding balance of the Revolving Facility and has an unused commitment balance of \$25.0 million under the Revolving Facility at June 30, 2021. Commitment fees will be accrued at 0.225% per annum on the unused commitment balance.

In connection with the issuance of the Term Loan due 2026 and the Revolving Facility, the Company incurred total deferred financing costs of \$1.7 million, of which \$1.2 million was allocated to the Term Loan due 2026 and \$0.5 million was allocated to the Revolving Facility. The deferred financing costs were capitalized as a contra-liability against the principal balance of the loans and are amortized as interest expense using the effective interest method. As of June 30, 2021, the weighted average effective interest rate on our outstanding borrowings was 2.38%.

The New Credit Agreement contains a maximum total net leverage ratio financial covenant and a minimum fixed charge coverage ratio financial covenant that are tested quarterly starting with the quarter ending June 30, 2021. The maximum total net leverage ratio is 3.5 to 1.0 for periods on or prior to December 31, 2022, and then decreases to 3.0 to 1.0 after December 31, 2022. The minimum fixed charge coverage ratio is 1.25 to 1.0. As of June 30, 2021, we were in compliance with all required covenants under the New Credit Agreement.

#### ***Underwritten Public Offering***

On April 6, 2021, we completed an underwritten public offering of 9,000,000 shares of our common stock at a public offering price of \$34.00 per share. All shares were sold by existing stockholders, including Nebula Holdings, LLC and its affiliates, Bregal Sagemount and certain executive officers of the Company. The selling stockholders also granted the underwriters a 30-day option to purchase up to 1,350,000 additional shares of common stock. We did not issue any shares and did not receive any of the proceeds of the offering.

#### ***Share Repurchase***

Pursuant to a Stock Repurchase Agreement, dated as of March 29, 2021, between Open Lending and the selling stockholders, we repurchased from the selling stockholders on April 6, 2021 an aggregate number of 612,745 shares of its common stock totaling \$20.0 million at the same per share price paid by the underwriters to the selling stockholders in the offering. The \$20.0 million stock repurchase was recorded in treasury stock at cost in April of 2021.

#### ***Tax Receivable Agreement Amendment***

We entered into Amendment No. 1 (the “Amendment”) to the TRA effective April 9, 2021. The Amendment provides that in lieu of early termination payments, the TRA Holders will instead be entitled to payments equal to 40% of all Tax Benefit Payments (all definitions used here in and otherwise not defined here in shall have the meanings set forth in the Amendment) other than any Actual Interest Amounts that would be required to be paid by the us under the TRA, using certain valuation. The Amendment provides us with the right to terminate and settle all present and future obligations under the TRA with a single

payment by us to the TRA Holders of \$36.9 million (the “Early Termination Right”). Absent the Amendment and the exercise of the Early Termination Right, we anticipated making TRA payments totaling \$92.4 million, undiscounted, over the life of the TRA.

On April 12, 2021, an independent committee of disinterested members of the Board of Directors approved our decision to exercise the Early Termination Right. As of June 30, 2021, we paid \$36.9 million to terminate and settle the TRA liability and recognized a gain of \$55.4 million, which is included in gain on extinguishment of tax receivable agreement on the Company’s condensed consolidated statements of operations and comprehensive income.

### ***Third Insurance Carrier Partner***

On June 24, 2021, the Company signed a producer agreement with a third insurance carrier partner, American National Lloyds Insurance Company and ANPAC Louisiana Insurance Company, both affiliates of American National Group, Inc, enabling both companies to be additional providers of credit default insurance policies for LPP, from which the Company expects to earn profit share revenue and claims administration fees in the future. The Producer Agreement was subsequently amended to add American National Property and Casualty Company, an affiliate of American National Group, Inc., as an additional party.

### ***COVID-19***

The COVID-19 pandemic continues to create uncertainty regarding the U.S. and global economies and our operating results, financial condition and cash flows. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration and continued spread of variants of COVID-19; the impact on our revenues, which are generated with automobile lenders and insurance company partners and driven by consumer demand for automobiles and automotive loans; extended closures of businesses, the effectiveness of the vaccine distribution program and the vaccines themselves; unemployment levels and the overall impact on our customer behavior, all of which are uncertain and cannot be predicted. The Company is diligently working to ensure that we can continue to operate with minimal disruption, mitigate the impact of the pandemic on our employees’ health and safety, and address potential business interruptions on ourselves and our customers. The Company believes that the COVID-19 pandemic, the mitigation efforts and the resulting economic impact have had, and may continue to have, an overall adverse effect on our business, results of operations and financial condition. The Company saw a reduction in loan applications and certified loans throughout the majority of 2020. As consumers and lenders have adjusted to the pandemic, application and certification levels have increased in 2021. Lenders’ forbearance programs, government stimulus packages, extended unemployment benefits and other government assistance have resulted in a reduction in expected defaults since the onset of the pandemic. As these programs end defaults may increase. The potential increase in defaults may impact our revenues and subsequent recovery as the automotive finance industry and overall economy recover. The Company continues to closely monitor the current macro environment, particularly monetary and fiscal policies.

### **Key Factors Affecting Operating Results**

Our future operating results and cash flows are dependent upon a number of opportunities, challenges and other factors, including the growth in the number of financial institutions and transaction volume, competition, profit share assumptions and industry trends and general economic conditions.

Key factors affecting our operating results include the following:

#### ***Growth in the Number of Financial Institutions***

The growth trend in active automotive lenders using LPP is a critical variable directly affecting revenue and financial results. It influences the number of loans funded on LPP and, therefore, the fees that we earn and the cost of the services that we provide. Growth in our active automotive lender relationships will depend on our ability to retain existing automotive lenders, add new automotive lenders, and expand to new industry verticals.

#### ***Competition***

We face competition to acquire and maintain automotive lenders as well as competition to fund near-prime and non-prime auto loans. For LPP, which combines lending enablement, risk analytics, near-prime and non-prime auto loan performance data, real-time loan decisioning, risk-based pricing and auto loan default insurance, we do not believe there are any direct competitors. The emergence of direct competitors, providing risk, analytics and loss mitigation, which are core elements of our business, could materially impact our ability to acquire and maintain automotive lenders customers.

The near-prime and non-prime lending market is highly fragmented and competitive. We face competition from a diverse landscape of consumer lenders, including traditional banks and credit unions, as well as alternative technology-enabled lenders. The emergence of other insurers, in competition with our insurers, could materially impact our business. Increased competition for loans, which reduce the ability of our automotive lenders to source loan application flow and or capture loans, could also materially and adversely impact our business.

### ***Profit Share Assumptions***

We rely on assumptions to calculate the value of profit share revenue, which is our share of insurance partners' underwriting profit. To the extent these assumptions change, our profit share revenue will be adjusted. For example, positive change in estimates associated historical vintages generate an increase in our contract asset, additional revenues and future expected cash flows, while negative change in estimates generate a decrease in our contract asset, a reduction in revenues and future expected cash flows.

### ***Industry Trends and General Economic Conditions***

Our results of operations have in the past been fairly resilient to economic downturns but in the future may be impacted by the relative strength of the overall economy and its effect on unemployment, consumer spending and consumer demand for automotive products. As general economic conditions improve or deteriorate, the amount of disposable income consumers have tends to fluctuate, which in turn impacts consumer spending levels and the willingness of consumers to take out loans to finance purchases. Specific economic factors such as interest rate levels, changes in monetary and related policies, market volatility, consumer confidence, the impact of the pandemic crisis and, particularly, the unemployment rate also influence consumer spending and borrowing patterns.

### ***Concentration***

Our largest insurance partner accounted for the vast majority of our profit share and claims administration service fee revenue in the three and six months ended June 30, 2021 and 2020, respectively. Termination or disruption of this relationship could materially and adversely impact our revenue.

### ***Basis of Presentation***

We conduct business through one operating segment, and we operate in one geographic region, the United States. See [Note 2—Summary of Significant Accounting and Reporting Policies and Recent Developments](#) of the accompanying condensed consolidated financial statements for more information.

## **Components of Results of Operations**

### ***Total Revenues***

Our revenue is generated through three streams: (i) program fees paid to us by lenders, (ii) profit share and (iii) claims administration service fees paid to us by insurance partners.

*Program fees.* Program fees are paid by automotive lenders for use of our LPP and analytics. These fees are based on a percentage of each certified loan's original principal balance and are recognized as revenue upfront upon receipt of the loan by the consumer. The fee percentage rate varies by type of loan. For loans with a one-time upfront payment, there is a sliding scale of rates representing volume discounts to the lender and with fees generally capped at \$600 per loan. This cap may vary for certain large volume lenders. For loans with 12 equal, monthly installments, the fee paid by the lender is a flat 3% of the total amount of the loan and is not capped.

*Profit share.* Profit share represents our participation in the underwriting profit of third-party insurance partners who provide lenders with credit default insurance on loans the lenders make using LPP. We receive a percentage of the aggregate monthly insurance underwriting profit. Monthly insurance underwriting profit is calculated as the monthly earned premium less expenses and losses (including reserves for incurred but not reported losses), with losses accrued and carried forward for future profit share calculations.

*Claims administration service fees.* Claims administration service fees are paid to us by third-party insurers for credit default insurance claims adjudication services performed by our subsidiary Insurance Administrative Services, LLC on its insured servicing portfolio. The administration fee is equal to 3% of the monthly insurance earned premium for as long as the loan remains outstanding.

### ***Cost of Services and Operating Expenses***

*Cost of services.* Cost of services primarily consists of fees paid to third party resellers for lead-generation efforts, compensation and benefits expenses relating to employees engaged in lenders' services and claims administration activities, fees paid for actuarial services related to the development of the monthly premium program and fees for integration with loan origination systems of automotive lenders. We generally expect cost of services to increase in absolute dollars as the total number of certified loans continues to grow; however, we expect the cost of services to remain relatively constant in the near to immediate term as a percentage of our program fee revenue.

*General and administrative expenses.* General and administrative expenses are comprised primarily of expenses relating to employee compensation and benefits, non-cash share-based compensation, travel, meals and entertainment expenses, IT expenses and professional and consulting fees. In the near term, we expect general and administrative expenses to increase in absolute dollar terms and as a percentage of revenue as we continue to implement the internal control, compliance and reporting requirements of public companies. In the intermediate term, we expect general and administrative expenses to continue to increase in absolute dollars as the total number of certified loans continues to grow.

*Selling and marketing expenses.* Selling and marketing expenses consist primarily of compensation and benefits of employees engaged in selling and marketing activities. We generally expect selling and marketing expenses to increase in absolute dollars as the total number of certified loans continues to grow in the long term; however, we expect selling and marketing expenses to remain relatively constant in the near to immediate term as a percentage of program fee revenue.

*Research and development expenses.* Research and development expenses consist of employee compensation and benefits expenses for employees engaged in ongoing development of our software technology platform. We generally expect our research and development expenses to increase in absolute dollars as our business continues to grow.

### ***Other Income (Expense)***

*Interest expense.* Interest expense primarily includes interest payments and the amortization of deferred financing costs in connection with the issuance of the debt.

*Gain on extinguishment of tax receivable agreement.* Gain on extinguishment of tax receivable agreement is related to the early termination and settlement of the TRA to the TRA holders.

*Loss on extinguishment of debt.* Loss on extinguishment of debt primarily reflects unamortized deferred financing costs which were written off in connection with the refinancing of our Term Loan due 2027 on March 19, 2021.

*Change in fair value of contingent consideration.* Change in fair value of contingent consideration reflects the non-cash impact of changes in the fair value of Company common stock expected to be issued as contingent consideration in connection with our Business Combination on June 10, 2020. The fair value of contingent consideration is based on a Monte Carlo simulation of the Company's common stock as compared to certain market share price milestones, and is primarily based on our peer group due to our limited history, as well as our future implied volatility, a significant unobservable input. The change in the estimated fair value of contingent consideration was driven by the change in estimated fair value from June 10, 2020 through June 30, 2020.

## Results of Operations

The following table sets forth our results of operations for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
(\$ in thousands)						
<b>Revenue</b>						
Program fees	\$ 20,597	\$ 8,793	134 %	\$ 35,508	\$ 21,505	65 %
Profit share	38,842	12,163	219 %	66,572	15,938	318 %
Claims administration service fees	1,686	1,111	52 %	3,053	2,054	49 %
<b>Total revenue</b>	<b>61,125</b>	<b>22,067</b>	<b>177 %</b>	<b>105,133</b>	<b>39,497</b>	<b>166 %</b>
<b>Cost of services</b>	<b>4,140</b>	<b>1,827</b>	<b>127 %</b>	<b>7,502</b>	<b>4,322</b>	<b>74 %</b>
<b>Gross profit</b>	<b>56,985</b>	<b>20,240</b>	<b>182 %</b>	<b>97,631</b>	<b>35,175</b>	<b>178 %</b>
<b>Operating expenses</b>						
General and administrative	8,381	14,650	(43) %	16,593	18,218	(9) %
Selling and marketing	2,954	1,295	128 %	5,351	3,373	59 %
Research and development	773	349	121 %	1,364	707	93 %
<b>Operating income</b>	<b>44,877</b>	<b>3,946</b>	<b>1037 %</b>	<b>74,323</b>	<b>12,877</b>	<b>477 %</b>
Interest expense	(1,122)	(3,644)	(69) %	(4,411)	(4,408)	— %
Interest income	58	44	32 %	142	61	133 %
Gain on extinguishment of tax receivable agreement	55,422	—	100 %	55,422	—	100 %
Loss on extinguishment of debt	—	—	— %	(8,778)	—	(100) %
Change in fair value of contingent consideration	—	(48,802)	(100) %	—	(48,802)	(100) %
Other (expense) income	(2)	3	(167) %	(133)	3	(4,533) %
<b>Income (loss) before income taxes</b>	<b>99,233</b>	<b>(48,453)</b>	<b>(305) %</b>	<b>116,565</b>	<b>(40,269)</b>	<b>(389) %</b>
<b>Provision for income taxes</b>	<b>23,267</b>	<b>1,352</b>	<b>1,621 %</b>	<b>27,737</b>	<b>1,364</b>	<b>1,934 %</b>
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ 75,966</b>	<b>\$ (49,805)</b>	<b>(253) %</b>	<b>\$ 88,828</b>	<b>\$ (41,633)</b>	<b>(313) %</b>

## Key Performance Measures

The following table sets forth key performance measures for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
<b>Certified loans</b>	<b>46,408</b>	<b>18,684</b>	<b>148 %</b>	<b>79,726</b>	<b>46,708</b>	<b>71 %</b>
Single-pay	41,156	14,480	184 %	70,098	37,916	85 %
Monthly-pay	5,252	4,204	25 %	9,628	8,792	10 %
<b>Average program fees</b>	<b>\$ 444</b>	<b>\$ 471</b>	<b>(6) %</b>	<b>\$ 445</b>	<b>\$ 460</b>	<b>(3) %</b>
Single-pay	\$ 415	\$ 434	(4) %	\$ 416	\$ 430	(3) %
Monthly-pay	\$ 673	\$ 616	9 %	\$ 660	\$ 613	8 %

## Comparison of Three and Six Months Ended June 30, 2021 and 2020

### Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
	(\$ in thousands)					
<b>Program fees</b>	\$ 20,597	\$ 8,793	134 %	\$ 35,508	\$ 21,505	65 %
<b>Profit share</b>						
New certified loan originations	27,017	13,105	106 %	49,673	28,918	72 %
Change in estimated future revenues	11,825	(942)	1,355 %	16,899	(12,980)	230 %
<b>Total profit share</b>	<b>38,842</b>	<b>12,163</b>	<b>219 %</b>	<b>66,572</b>	<b>15,938</b>	<b>318 %</b>
<b>Claims administration service fees</b>	1,686	1,111	52 %	3,053	2,054	49 %
<b>Total revenue</b>	<b>\$ 61,125</b>	<b>\$ 22,067</b>	<b>177 %</b>	<b>\$ 105,133</b>	<b>\$ 39,497</b>	<b>166 %</b>

Total revenue increased by \$39.1 million and \$65.6 million, or 177% and 166%, respectively, for the three and six months ended June 30, 2021, as compared to the same periods in 2020, driven by an increase in anticipated profit share, program fees and claims administrative revenues on new originations and the change in estimated future revenues on historical vintages. As the loan default rate, default severity and prepayment rate continued to improve during the three and six months ended June 30, 2021, our anticipated profit share on historic business increased.

Program fees revenue increased by \$11.8 million and \$14.0 million, or 134% and 65%, respectively, for the three and six months ended June 30, 2021, as compared to the same periods in 2020. The increases were driven by 148% and 71% increases in certified loan volume during the three and six months ended June 30, 2021 as compared to the prior year periods, respectively.

Profit share revenue increased by \$26.7 million and \$50.6 million, or 219% and 318%, respectively, during the three and six months ended June 30, 2021, as compared to the same periods in 2020. During the three months ended June 30, 2021, we recorded \$27.0 million in anticipated profit share, associated with 46,408 new certified loans, for an average of \$582 per new certified loan, as compared to \$13.1 million recorded in anticipated profit share, associated with 18,684 new certified loans, for an average of \$701 per new certified loan, during the three months ended June 30, 2020. In April 2021, we removed the vehicle value discount established as part of our underwriting changes implemented at the onset of COVID-19, which had the effect of increasing credit default insurance premiums and corresponding profit share during the pandemic by approximately 15% per certified loan. As a result of this underwriting change, in April 2021, our average profit share per certified loan decreased in the second quarter 2021 and is comparable to pre-COVID-19 profit share unit economics. In addition, this change had a positive impact by increasing our closure rates on certified loans in second quarter 2021. During the six months ended June 30, 2021, we recorded \$49.7 million in anticipated profit share associated with 79,726 new certified loans for an average of \$623 per new certified loan, as compared to \$28.9 million in anticipated profit share associated with 46,708 certified loans for an average of \$619 per new certified loan, during the six months ended June 30, 2020.

In addition, during the three and six months ended June 30, 2021, we recorded \$11.8 million and \$16.9 million, respectively, in estimated future profit share on business written in historic periods, as compared to a \$0.9 million reduction and a \$13.0 million reduction, respectively, in estimated future profit share on historic vintages, during the three and six months ended June 30, 2020. The positive adjustment during the three and six months ended June 30, 2021 resulted in a \$12.8 million change quarter over quarter and \$29.9 million change year over year and represents the continued improvement of our portfolio performance from a risk perspective related to defaults, severity of defaults and prepayments over what we anticipated last year when the COVID-19 pandemic began. This positive adjustments in anticipated future profit share is a change in estimated variable consideration in accordance with ASC 606 and represents additional revenue and expected cash flow from historical vintages as a result of better than expected performance from a risk perspective.

Revenue from claims administration service fees, which represents 3% of our insurance partners' annual earned premium, increased by \$0.6 million, or 52%, and \$1.0 million, or 49%, for the three and six months ended June 30, 2021 as compared to the same periods in the prior year, driven by 47% and 43% increases in total earned premiums and 148% and 71% increases in new loan certifications, as compared to the same periods in the prior year.

### Cost of Services, Gross Profit and Gross Margin

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
	(\$ in thousands)					
<b>Total revenue</b>	\$ 61,125	\$ 22,067	177 %	\$ 105,133	\$ 39,497	166 %
Cost of services	4,140	1,827	127 %	7,502	4,322	74 %
<b>Gross profit</b>	\$ 56,985	\$ 20,240	182 %	\$ 97,631	\$ 35,175	178 %
<b>Gross margin</b>	93 %	92 %	1 %	93 %	89 %	4 %

Gross profit increased by \$36.7 million, or 182%, and \$62.5 million, or 178%, during the three and six months ended June 30, 2021, respectively, as compared to the same periods in 2020, driven by an increase in anticipated profit share, program fees and claims administrative revenues on new originations and change in estimated future revenues based on historical vintages as discussed above.

### Operating Expenses, Operating Income and Operating Margin

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
	(\$ in thousands)					
<b>Total revenue</b>	\$ 61,125	\$ 22,067	177 %	\$ 105,133	\$ 39,497	166 %
<b>Gross profit</b>	56,985	20,240	182 %	97,631	35,175	178 %
<b>Operating expenses</b>						
General and administrative	8,381	14,650	(43) %	16,593	18,218	(9) %
Selling and marketing	2,954	1,295	128 %	5,351	3,373	59 %
Research and development	773	349	121 %	1,364	707	93 %
<b>Operating income</b>	\$ 44,877	\$ 3,946	1037 %	\$ 74,323	\$ 12,877	477 %
<b>Operating margin</b>	73 %	18 %	55 %	71 %	33 %	38 %

General and administrative expenses decreased by \$6.3 million, or 43% and \$1.6 million, or 9%, during the three and six months ended June 30, 2021, respectively, as compared to the same periods last year. During the three and six months ended June 30, 2020, general and administrative expenses included a \$9.1 million transaction bonus awarded to key employees and directors of Open Lending, LLC and \$2.2 million of non-cash charges incurred in connection with the accelerated vesting of share-based awards, as a result of the Business Combination. Excluding the impact of these one-time charges associated with the Business Combination in the prior year, we experienced a quarter over quarter increase of \$5.0 million in general and administrative expenses in 2021, which is primarily attributable to \$1.6 million in professional and consulting fees associated with continuing efforts to enhance internal controls, financial reporting and compliance functions, \$1.1 million in employee compensation and benefits and \$0.8 million in share-based compensation as we continue to expand our business and \$0.6 million increase in Directors and Officers insurance.

Selling and marketing expenses increased by \$1.7 million, or 128%, and \$2.0 million, or 59%, during the three and six months ended June 30, 2021, respectively, as compared to the prior year periods, primarily due to an increase in employee compensation and commissions costs driven by both increased headcounts in sales and account management and increased sales.

Research and development expenses increased by \$0.4 million and \$0.7 million, or 121% and 93%, during the three and six months ended June 30, 2021, respectively, as compared to the same periods in prior year, due to an increase in headcount costs associated with the software development personnel.

Operating income for the three and six months ended June 30, 2021 increased by \$40.9 million and \$61.4 million, or 1037% and 477%, respectively, as compared to the prior year periods, driven by an increase in anticipated profit share from new originations and estimated future underwriting profits on historic business.

### Income Taxes

During the three and six months ended June 30, 2021, we recognized income tax expense of \$23.3 million and \$27.7 million, respectively, as compared to income tax expense of \$1.4 million during each of the three and six months ended June 30, 2020.



For the three months ended June 30, 2021 our effective tax rate was 23.4%, as compared to an effective tax rate of (2.8)% for the three months ended June 30, 2020. Our effective tax rate for the six months ended June 30, 2021 was 23.8% as compared to an effective tax rate of (3.4)% for the six months ended June 30, 2020. The change in the effective tax rate is primarily due to the taxable entity structure adopted in conjunction with the Business Combination that was consummated on June 10, 2020.

## Liquidity and Capital Resources

### Cash Flow and Liquidity Analysis

We assess liquidity primarily in terms of our ability to generate cash to fund operating and investing activities. A significant portion of our cash from operating activities is derived from our profit share arrangements with our insurance partners, which are subject to judgments and assumptions and is, therefore, subject to variability.

The following table provides a summary of cash flow data:

	Six Months Ended June 30,	
	2021	2020
	<i>(in thousands)</i>	
Net cash provided by operating activities	\$ 32,983	\$ 12,006
Net cash used in investing activities	(841)	(424)
Net cash (used in) provided by financing activities	(76,245)	7,184

### Cash Flows from Operating Activities

Our cash flows provided by operating activities primarily consists of operating income and adjustments for net changes in operating assets and liabilities, including changes in accounts receivable, prepaid expenses, contract assets, accounts payable, income tax payable/receivable and accrued expenses.

Our net cash from operating activities for the six months ended June 30, 2021 was \$33.0 million. For the six months ended June 30, 2021, net cash provided by operating activities was primarily attributable to cash inflows from program fees and higher profit share payments from our insurance carriers, primarily as a result of an increased certified loan volume and our carriers releasing reserves established due to uncertainty related to the COVID-19 pandemic last year and the continued improved performance of our portfolio. In addition, net income was increased by an \$8.8 million non-cash loss on extinguishment of debt which was offset by a \$55.4 million gain on the extinguishment of the TRA, a \$22.6 million increase in contract assets and a \$3.2 million increase in accounts receivable.

Our net cash from operating activities for the six months ended June 30, 2020 was \$12.0 million. Operating cash flow was driven primarily by net income excluding the impact of fair value adjustment of contingent considerations recorded. Cash provided by operating activities was impacted by a \$0.2 million decrease in contract assets which was partially offset by \$1.1 million in deferred transaction costs.

### Cash Flows from Investing Activities

For the six months ended June 30, 2021 and 2020, net cash used in investing activities was \$0.8 million and \$0.4 million, respectively. For the six months ended June 30, 2021, the investments primarily related to computer software developed for internal use. For the six months ended June 30, 2020, the investments primarily consisted of purchases of furniture and equipment.

### Cash Flows from Financing Activities

Our cash flows provided by and used in financing activities primarily consist of proceeds from debt, payments of debt and deferred financing costs, member distributions and equity recapitalization transactions.

For the six months ended June 30, 2021, net cash used in financing activities was \$76.2 million. The cash used primarily consisted of \$36.9 million in early termination and settlement of the tax receivable agreement, \$20.0 million related to our repurchase of 612,745 shares of our common stock held in treasury stock and debt principal payments of \$167.6 million, primarily related to the payment in full of the Term Loan due 2027. In addition, we paid down our revolving facility \$25.0 million. The cash inflow includes \$175.0 million in proceeds associated with our New Credit Agreement entered into March 19, 2021 which refinanced our existing debt, less \$1.7 million in deferred financing costs associated with this facility.

For the six months ended June 30, 2020, net cash provided by financing activities was \$7.2 million. The cash inflow consisted of \$170.0 million in proceeds associated with the Credit Agreement entered into March 1, 2020 less \$9.8 million in deferred financing costs, which was partially offset by a \$135.4 million distribution to Open Lending, LLC's unitholders, \$13.3 million in connection with our recapitalization, net of transaction costs, and \$4.4 million of debt principal payments.

#### Debt

As of June 30, 2021, our long-term debt consists of a \$124.2 million Term Loan due in 2026 and \$25.0 million under the Revolving Facility under the New Credit Agreement that we entered into on March 19, 2021, proceeds from which were used primarily to pay the Term Loan due 2027 in full and provide cash for general corporate purposes.

#### Non-GAAP Financial Measures

##### Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure used by management to evaluate its operating performance, generate future operating plans, and make strategic decisions, including those relating to operating expenses and the allocation of internal resources. Accordingly, we believe these measures provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors. In addition, they provide useful measures for period-to-period comparisons of our business, as they remove the effect of certain non-cash items and certain variable charges. Adjusted EBITDA is defined as GAAP net income (loss) excluding interest expense, income taxes, depreciation and amortization expense (including amortization of right-of-use assets), share-based compensation expense, gain on extinguishment of tax receivable agreement, loss on extinguishment of debt, transaction bonuses and change in fair value of contingent consideration. Adjusted EBITDA margin is defined as Adjusted EBITDA expressed as a percentage of total revenue.

The following table presents a reconciliation of GAAP net income (loss) to Adjusted EBITDA for each of the periods indicated:

Adjusted EBITDA	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
	(\$ in thousands)					
<b>Net Income (loss)</b>	<b>\$ 75,966</b>	<b>\$ (49,805)</b>	<b>(253)%</b>	<b>\$ 88,828</b>	<b>\$ (41,633)</b>	<b>(313)%</b>
Non-GAAP adjustments:						
Interest expense	1,122	3,644	(69) %	4,411	4,408	— %
Provision for income taxes	23,267	1,352	1621 %	27,737	1,364	1934 %
Depreciation and amortization	196	120	64 %	389	242	61 %
Share-based compensation	927	2,189	(58) %	1,628	2,676	(39) %
Gain on extinguishment of tax receivable agreement	(55,422)	—	100 %	(55,422)	—	100 %
Loss on extinguishment of debt	—	—	— %	8,778	—	100 %
Transaction bonuses	—	9,112	(100) %	—	9,112	(100) %
Change in fair value of contingent consideration	—	48,802	(100) %	—	48,802	(100) %
<b>Total adjustments</b>	<b>(29,910)</b>	<b>65,219</b>	<b>(146)%</b>	<b>(12,479)</b>	<b>66,604</b>	<b>(119)%</b>
<b>Adjusted EBITDA</b>	<b>46,056</b>	<b>15,414</b>	<b>199 %</b>	<b>76,349</b>	<b>24,971</b>	<b>206 %</b>
<b>Total revenue</b>	<b>\$ 61,125</b>	<b>\$ 22,067</b>	<b>177 %</b>	<b>\$ 105,133</b>	<b>\$ 39,497</b>	<b>166 %</b>
<b>Adjusted EBITDA margin</b>	<b>75 %</b>	<b>70 %</b>	<b>5 %</b>	<b>73 %</b>	<b>63 %</b>	<b>10 %</b>

For the three and six months ended June 30, 2021, Adjusted EBITDA increased by \$30.6 million, or 199% and \$51.4 million, or 206%, as compared to the three and six months ended June 30, 2020. Adjusted EBITDA margin for the three and six months ended June 30, 2021 increased to 75% and 73% as compared to 70% and 63% in the three and six months ended June 30, 2020. The increase in Adjusted EBITDA during the three and six months ended June 30, 2021 reflects an increase in certified loan volume and an increase in estimated future profit share as a result of the continued positive portfolio performance due to lower than projected default frequency and severity stress and overall fewer claims for loss associated with historical vintages, partially offset by an increase in cost of services in the current quarter.

### **Critical Accounting Policies and Estimates**

There have not been any material changes during the six months ended June 30, 2021 to the methodology applied by management for critical accounting policies previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020. Please read “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2020 for further description of our critical accounting policies.

### **Off Balance Sheet Arrangements**

We have not engaged in off-balance sheet financing arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

### **Contractual Obligations**

We had no material changes, other than the refinancing of our Term Loan due 2027 on March 19, 2021 as discussed in [Note—4 Debt](#), in our contractual commitments and obligations during the six months ended June 30, 2021 from the amounts listed under “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations” in the Annual Report on Form 10-K.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our operations include activities in the United States. These operations expose us to a variety of market risks, including the effects of changes in interest rates and changes in consumer attitudes toward vehicle ownership. We monitor and manage these financial exposures as an integral part of our overall risk management program.

#### *Market Risk*

In the normal course of business we are exposed to market risk and have established policies designed to protect against the adverse effects of this exposure. We are exposed to risks associated with general economic conditions and the impact of the economic environment on the willingness of consumers to finance auto purchases. Specifically, economic factors such as interest rate levels, changes in monetary and related policies, market volatility, consumer confidence and, unemployment rates in particular also influence consumer spending and borrowing patterns. We also face risk from competition to acquire, maintain and develop new relationships with auto lenders as well as competition from a wide variety of auto lenders who are (or are affiliated) with financial institutions and have capacity to hold loans on their balance sheets.

#### *Concentration Risk*

Historically, we have not had significant concentration risk in our client base. However, for some period of time in the future, we expect a significant portion of certified loan volume to come from OEM Captives. Additionally, we rely on our largest insurance partner for a significant portion of our profit share and claims administration service fee revenue. Termination or disruption of this relationship could materially and adversely impact our revenue.

#### *Interest Rate Risk*

As of June 30, 2021, we had outstanding amounts of \$124.2 million under the Term Loan due 2026 and \$25.0 million under the Revolving Facility, both of which are scheduled to mature on March 19, 2026. Borrowings under the New Credit Facility bear interest at a rate equal to either the ABR or LIBOR plus a spread that is based upon our total net leverage ratio. The spread ranges from 1.75% to 2.50% for LIBOR loans and 0.75% to 1.50% for ABR loans. We are also charged an unused commitment fee that ranges from 0.200% to 0.275% per annum on the average daily unused portion of the Revolving Facility, which is paid quarterly in arrears and is based on our total net leverage ratio.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission, or SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

As of the date of this Quarterly Report on Form 10-Q, we were not a party to any material legal proceedings. In the future, we may become party to legal matters and claims arising in the ordinary course of business, the resolution of which we do not anticipate would have a material adverse impact on its financial position, results of operations or cash flows.

### **Item 1A. Risk Factors**

This section supplements and updates certain of the information found under Part I, Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2020 the Annual Report, based on information currently known to us and recent developments since the date of the Annual Report filing. The matters discussed below should be read in conjunction with the risks described in Part I. Item 1A. “Risk Factors” of our Annual Report. However, the risks and uncertainties that we face are not limited to those described below and those set forth in the Annual Report. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business, financial condition or future results.

#### ***The New Credit Agreement that governs Open Lending’s credit facility contains various covenants that could limit its ability to engage in activities that may be in Open Lending’s best long-term interests.***

Open Lending’s New Credit Agreement provides for Credit Facilities consisting of a senior secured term loan facility of up to \$125.0 million along with a senior secured revolving loan facility of up to \$50.0 million at any time outstanding. Borrowings under the New Credit Agreement bear interest at a variable rate based on the net secured leverage ratio, subject to a floor of 0.0%. The obligations of Open Lending under the New Credit Agreement are guaranteed by all of its subsidiaries and secured by substantially all of the assets of Open Lending and its subsidiaries, in each case, subject to certain customary exceptions. The Credit Facilities mature on of March 19, 2026.

The New Credit Agreement contains affirmative and negative covenants customarily applicable to senior secured credit facilities, including covenants that, among other things, will limit or restrict the ability of the Loan Parties, subject to negotiated exceptions, to incur additional indebtedness and additional liens on their assets, engage in mergers or acquisitions or dispose of assets, pay dividends or make other distributions, voluntarily prepay other indebtedness, enter into transactions with affiliated persons, make investments, and change the nature of their businesses.

The New Credit Agreement also contains customary events of default (subject to thresholds and grace periods), including payment default, covenant default, cross default to other material indebtedness, and judgment defaults.

Open Lending’s ability to comply with these covenants may be affected by events beyond its control, such as market fluctuations impacting net income. Breaches of these covenants will result in a default under the New Credit Agreement, subject to any applicable cure rights, in which case the administrative agent may accelerate the outstanding Term Loan.

If such acceleration under the New Credit Agreement occurs, Open Lending’s ability to fund its operations could be seriously harmed.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table sets forth information with respect to our repurchases of shares of common stock during the three months ended June 30, 2021.

<b>Period</b>	<b>Total number of shares purchased(1)</b>	<b>Average price paid per share</b>	<b>Total number of shares purchased as part of publicly announced plans or programs</b>	<b>Approximate dollar value of shares that may yet be purchased under the plans or programs</b>
4/1/2021-4/30/2021	612,745	\$ 32.64	—	—
5/1/2021-5/31/2021	—	—	—	—
6/1/2021-6/30/2021	—	—	—	—
<b>Total</b>	<b>612,745</b>	<b>\$ 32.64</b>	<b>—</b>	<b>—</b>

(1) In connection with an underwritten public offering by certain selling stockholders, on April 6, 2021, Company repurchased from those selling stockholders an aggregate of 612,745 shares of the Company's common stock totaling \$20.0 million at per share price of \$32.64, the same price per share as paid by the underwriters.

**Item 3. Default Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

<b>Number</b>	<b>Description</b>
10.1*	<a href="#">Producer Agreement dated June 24, 2021, as amended, by and between American National Lloyds Insurance Company, ANPAC Louisiana Insurance Company, American National Property And Casualty Company and Lenders Protection LLC.</a>
31.1*	<a href="#">Certification of the Chief Executive Officer</a>
31.2*	<a href="#">Certification of the Chief Financial Officer</a>
32.1**	<a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)</a>
32.2**	<a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)</a>
101*	The following financial statements from Open Lending Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language):  (i) Condensed Consolidated Balance Sheets (ii) Condensed Consolidated Statements of Operations (iii) Condensed Consolidated Statements of Stockholder's Equity (Deficit) (iv) Condensed Consolidated Statements of Cash Flows (v) Notes to unaudited condensed consolidated Financial Statements
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).
*	Filed herewith.
**	Furnished herewith.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OPEN LENDING CORPORATION

/s/ John Flynn

John J. Flynn

Chairman and Chief Executive Officer  
(Principal Executive Officer)

/s/ Charles Jehl

Charles D. Jehl

Chief Financial Officer  
(Principal Financial and Accounting Officer)

August 12, 2021

**CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [\*\*\*], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.**

**PRODUCER AGREEMENT**

**BY AND BETWEEN**

**AMERICAN NATIONAL LLOYDS INSURANCE COMPANY AND  
ANPAC LOUISIANA INSURANCE COMPANY**

**AND**

**LENDERS PROTECTION, LLC**

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## PRODUCER AGREEMENT

**THIS PRODUCER AGREEMENT** (this "Agreement"), effective as of [\*\*\*] (the "Effective Date"), is entered into by and between **AMERICAN NATIONAL LLOYDS INSURANCE COMPANY**, a corporation organized under the laws of the State of Texas, and **ANPAC LOUISIANA INSURANCE COMPANY**, a corporation organized under the laws of the State of Louisiana (collectively, "American National"), and **LENDERS PROTECTION, LLC**, a limited liability company organized under the laws of the State of Texas with its principal place of business located at 1501 South Mopac Expressway, Suite 450, Austin, TX 78746 ("Lenders Protection").

**WHEREAS**, Lenders Protection has developed a proprietary software platform (the "Software Platform") to assist financial institutions in determining the risk of default and loss on auto loans, enabling such financial institutions to book loans which would otherwise be denied; and

**WHEREAS**, Lenders Protection has designed a program to commercialize the Software Platform which facilitates the issuance of credit default insurance in connection with certain risks associated primarily with non-prime or "near prime" auto loans (regardless of the insurance carrier providing insurance in connection therewith) (hereinafter referred to as the "Program"); and

**WHEREAS**, American National agrees to enter into a separate agreement with the Surplus Lines Broker (defined herein) who will offer the Policy(ies)(defined herein) to financial institutions in connection with the Program (the "SLB Agreement"); and

**WHEREAS**, Lenders Protection intends to source and produce business through the Surplus Lines Broker, who will serve as a subagent for the Program; and

**WHEREAS**, American National agrees to cause a Policy to be issued to each financial institution that enters into a Program Agreement (defined herein) and otherwise satisfies the requirements of Section 4.1 of this Agreement; and

**WHEREAS**, American National shall assign to Lenders Protection, or its designee, the right to perform claims administration for Claims subject to Section 4.6, and Lenders Protection, or its designee, will provide such claims administration services; and

**WHEREAS**, Lenders Protection will provide, pursuant to the terms hereof, certain technical and administrative support in connection with the Program along with maintenance of the Software Platform; and

**WHEREAS**, American National and Lenders Protection acknowledge that certain benefits under the Program shall be shared on the basis herein provided.

**NOW, THEREFORE**, in consideration of the above premises and the mutual agreements hereinafter set forth, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, intending to be legally bound, American National and Lenders Protection hereby incorporate the above recitals as if fully set forth herein and agree as follows:

### ARTICLE 1 DEFINITIONS AND INTERPRETATION

**Section 1.1 – Definitions.** All capitalized terms used, but not defined, herein shall have the respective meanings set forth in Schedule A attached hereto.

**Section 1.2 – Interpretation.** In this Agreement, unless the context otherwise requires, the singular shall include the plural and any pronoun shall include the corresponding masculine, feminine and neuter forms. The

words "hereof," "herein," "hereto," and "hereunder," and words of similar import, when used in this Agreement shall, unless otherwise expressly specified, refer to this Agreement as a whole and not to any particular provision of this Agreement. Whenever the term "including" is used herein in connection with a listing of items included within a prior reference, such listing shall be interpreted to be illustrative only, and shall not be interpreted as a limitation on or exclusive listing of the items included in the prior reference. Any reference in this Agreement to "Section", "Article", "Appendix", "Exhibit" or "Schedule" shall be references to this Agreement unless otherwise stated, and all such Appendices, Exhibits and Schedules shall be incorporated in, and attached to, this Agreement by reference. Unless otherwise stated, any reference in this Agreement to any entity shall include its successors and assigns, and, in the case of any Governmental Authority, any entity succeeding to its functions and capacities.

**Section 1.3 – Construction.** If a conflict exists between the text of this Agreement and any Schedule, Exhibit or Appendix, the terms of this Agreement shall prevail, unless otherwise expressly provided in such Schedule, Exhibit or Appendix. Both Parties acknowledge that each was actively involved in the negotiation and drafting of this Agreement and that no law or rule of construction shall be raised or used in which the provisions of this Agreement shall be construed in favor or against either Party because one is deemed to be the author thereof.

## ARTICLE 2 TERM AND TERMINATION

**Section 2.1 – Term.** The initial term of this Agreement shall commence on the Effective Date and shall continue for a period ending at 11:59 p.m. Central Standard Time ("C.S.T.") on the [\*\*\*] of the Effective Date (the "Initial Term") to the extent not terminated sooner pursuant to the terms hereof. After the Initial Term, this Agreement shall be automatically extended for renewal terms of [\*\*\*] (each a "Renewal Term"), unless either Party provides the other with written notice of termination at least [\*\*\*] days prior to the expiration of the Initial Term or the applicable Renewal Term. As used herein, "Term" shall mean and refer collectively to the Initial Term and any Renewal Term(s), as applicable.

**Section 2.2 – Termination.** This Agreement may be terminated as follows:

- (a) At any time by mutual written consent of the Parties.
- (b) Immediately upon the delivery of written notice of termination by either Party to the other Party if an Event of Bankruptcy occurs regarding such other Party and such Event of Bankruptcy is continuing at the time of the notice.
- (c) Subject to the provisions of Section 4.4, by American National, upon written notice to Lenders Protection having a termination date that is simultaneous with the termination of the SLB Agreement.
- (d) By American National after [\*\*\*] calendar days' written notice of termination to Lenders Protection in the event of a default or breach by Lenders Protection of a Material Obligation under this Agreement; provided, however, Lenders Protection shall have the right to cure such default or breach within [\*\*\*] calendar days after American National's delivery of such written notice (the "Cure Period"). The Parties agree that if Lenders Protection cures such breach or default within the Cure Period, American National's notice of termination shall be deemed withdrawn and be of no further force or effect. If, however, Lender's Protection fails to cure the breach within the Cure Period, this Agreement shall be deemed terminated at the expiration of the Cure Period.
- (e) By Lenders Protection after [\*\*\*] calendar days' written notice of termination to American National in the event of a default or breach by American National of a Material Obligation under this Agreement or the Policy; provided, however, American National shall have the right to cure such breach or default within [\*\*\*] calendar days after Lenders Protection's delivery of such written notice. The Parties agree that if American National cures such breach or default within the [\*\*\*] Cure Period, Lenders Protection's notice of termination shall be deemed withdrawn and be of no further force or effect. If, however, American National fails to cure the

breach within the [\*\*\*] Cure Period, this Agreement shall be deemed terminated at the expiration of the Cure Period.

(f) By Lenders Protection after [\*\*\*] days' written notice of termination to American National if any Problematic Change of Control of American National occurs without American National's receipt of Lenders Protection's prior written approval, which shall not be unreasonably withheld, conditioned or delayed.

(g) By American National after [\*\*\*] days' written notice of termination to Lenders Protection if any Problematic Change of Control of Lenders Protection occurs without Lenders Protection's receipt of American National's prior written approval, which shall not be unreasonably withheld, conditioned or delayed.

(h) With written notice by American National or Lenders Protection, with respect to any jurisdiction, if a Governmental Authority in such jurisdiction finds the Policies to be unenforceable, in whole or in part, or otherwise prohibits either Party from providing any of the services required under this Agreement, and such default, if curable, is not cured within [\*\*\*] calendar days following notice of such occurrence. The Parties agree that if such default is cured within the [\*\*\*] Cure Period, such notice of termination shall be deemed withdrawn and be of no further force or effect. If, however, such default is not cured within the [\*\*\*] Cure Period, this Agreement shall be deemed terminated at the expiration of the Cure Period. Notwithstanding the foregoing, the Parties shall adhere to any Governmental Authority's requirements with regard to the offering of such Policies in the affected jurisdiction(s).

(i) By Lenders Protection, upon [\*\*\*] calendar days' written notice, in the event that American National Lloyds Insurance Company and ANPAC Louisiana Insurance Company fail to maintain an "A-" or better A.M. Best rating.

(j) By Lenders Protection or American National, as applicable, and upon written notice, in accordance with Section 3.1 and/or Section 5.5.

(k) By Lenders Protection, upon [\*\*\*] calendar days' written notice, at any time after American National has breached American National's Non-Competition Commitment; provided, however, American National shall have the right to cure such breach within [\*\*\*] calendar days after Lenders Protection's delivery of such written notice. The Parties agree that if American National reasonably cures such breach or default within the [\*\*\*] Cure Period, Lenders Protection's notice of termination shall be deemed withdrawn and be of no further force or effect.

(l) Immediately, upon written notice by either Party in the event the other Party fails to maintain insurance as required by Article 11.

(m) Immediately, upon written notice by American National or Lenders Protection, in the event of fraud or willful misconduct on the part of such other party.

(n) By Lenders Protection, upon written notice, at any time after American National tenders notice of its intent to Compete with Lenders Protection.

(o) Immediately, upon written notice by American National to Lenders Protection, in the event the Claims Services Agreement is terminated.

**Section 2.3 – Conduct After Termination.** Upon termination of this Agreement:

(a) Except as otherwise expressly provided herein, American National and Lenders Protection shall not be relieved of or released from any obligation created by or under this Agreement before the termination date of this Agreement. The Parties hereto expressly covenant and agree that they shall cooperate, in good faith, with each other in the handling of all Claims until the end of the term of all Policies in force and likewise until all scheduled Insured Loans for each Policy have expired.

(b) Upon termination or expiration of this Agreement, Lenders Protection shall not facilitate the placement of new loans to American National through the Program. Additionally, upon termination of this Agreement, Lenders Protection shall take all reasonable action to prevent financial institutions from accessing the Software Platform for purposes of submitting new business relating to the issuance of a Policy pursuant to the Program with American National. For purposes of establishing absolute clarity, Lenders Protection shall, at all times, be permitted to allow financial institutions to access the Software Platform for purposes of submitting new business relating to the issuance of Additional Carrier Policies pursuant to the Program; however, Lenders Protection shall take all reasonable action to prevent unauthorized access to American National's Confidential Information (defined herein). Notwithstanding the foregoing, in the event of termination of this Agreement, Lenders Protection will continue to provide American National with access to the Software Program and/or the Program Files, as applicable, for as long as any outstanding liability exists on Policies issued, bound or in force prior to the date of termination.

(c) In the event this Agreement is terminated, American National shall work in good faith following such termination date with Lenders Protection and third parties identified by Lenders Protection in connection with the maintenance, support and continuation of the Program (the "Post-Termination Support"), including but not limited to promptly delivering any and all Run-Off Data requested by Lenders Protection; *provided, however*, such Run-Off Data shall only be required to be delivered in such manner and at such times as similar data delivered during the Term hereof. The Parties hereto acknowledge and agree that the purpose and objective of such Post-Termination Support shall be to ensure that the business of Lenders Protection (and the Program offered thereby) continues with the least amount of delay, interference, cost, disruption or other operational inefficiency.

(d) The obligations under this Section 2.3 shall survive the termination of this Agreement.

### ARTICLE 3 PROTECTION OF BUSINESS INTERESTS

#### Section 3.1 – Protection of Lenders Protection.

(a) American National acknowledges and agrees that its ability to work with Lenders Protection (and its Affiliates) pursuant to the terms of this Agreement is significantly valuable to American National (and its Affiliates) and, as a result, American National agrees to make its relationship exclusive with Lenders Protection [\*\*\*] during the period beginning on the Effective Date and ending at the conclusion of the Additional Protection Period (such period is the "Non-Compete Period").

(b) During the Non-Compete Period, American National agrees: (i) not to provide or promote the credit default insurance products covered under this Agreement and the SLB Agreement to any Directly Competitive Business of Lenders Protection (or to any Person that, to American National's knowledge, services a Directly Competitive Business of Lenders Protection); and (ii) not to otherwise Engage in a Directly Competitive Business of Lenders Protection, without the prior written consent of Lenders Protection (collectively, the conduct set forth in the foregoing clauses (i) and (ii), "Compete with Lenders Protection"). Notwithstanding the foregoing, the Parties agree that nothing contained in this Section 3.1 shall preclude American National from Acquiring, after the Effective Date hereof, an Indirectly Competitive Business as long as the decision to so Acquire was made in good faith and not for the purpose of evading the restrictions herein. In the event that American National intends to Acquire an Indirectly Competitive Business pursuant to the foregoing sentence, it shall be required to provide Lenders Protection with not less than [\*\*\*] advance written notice thereof whereupon Lenders Protection shall have the right, but not the obligation, to terminate this Agreement upon notice to American National; *provided* that such notice to terminate is given to American National by Lenders Protection within said [\*\*\*] period. American National represents and warrants that to American National's knowledge, as of the Effective Date, it does not own, operate or control (nor is it evaluating the ownership, operation or control of) an Indirectly Competitive Business.

(c) American National acknowledges and agrees that the restrictions imposed upon it under this Section 3.1 (collectively, "American National's Non-Competition Commitment") are reasonable and properly required for the adequate protection of Lenders Protection and its Affiliates. The Parties hereto agree that in the event any court of competent jurisdiction determines the Non-Compete Period or the specified geographical area of American National's Non-Competition Commitment to be unreasonable, arbitrary or against public policy, a lesser time period or geographical area which is determined to be reasonable, non-arbitrary and not against public policy may be enforced against American National as determined by a court of competent jurisdiction. The Parties intend that American National's Non-Competition Commitment is (and shall be construed as) a series of separate covenants, one for each state of the United States and one for each other similar region or territory, outside of the United States but within North America generally where American National has issued a Policy. American National's Non-Competition Commitment is governed by the laws of the State of Texas. American National agrees that, in the event of any breach of American National's Non-Competition Commitment, Lenders Protection will not have an adequate remedy in monetary damages; therefore American National agrees that, in such event, Lenders Protection shall be entitled to apply for injunctive relief, without bond, and without the necessity of proof of actual damages, to enjoin such breach in any court of competent jurisdiction. Such right to injunctive relief shall be in addition to and shall in no way limit Lenders Protection's right to obtain other remedies available under Applicable Law. In the event that American National breaches American National's Non-Competition Commitment, the Non-Compete Period applicable to American National shall be extended for an additional amount of time equal to the amount of time when such breach occurred until such breach is remedied (the "Extension Period"); *provided, however*, in light of other remedies available to Lenders Protection (which are expressly reserved), the Extension Period shall never be longer than[\*\*\*]. American National will provide [\*\*\*] notice of its intent to compete prior to actually engaging in activities that Compete with Lenders Protection.

(d) The obligations under and referred to in this Section 3.1 shall survive the termination of this Agreement.

### **Section 3.2 – Rights in Connection with New Products.**

(a) During the Term of this Agreement, Lenders Protection agrees that prior to the time that it begins to commercially offer New Products, it may provide American National, and may provide Additional Carriers of its selection, with written notice thereof (which such notice shall include generally: (i) the description of the New Product, (ii) the market to be served, and (iii) the manner in which Lenders Protection is willing to permit American National and/or the Additional Carriers to participate therein) (which terms and matters related to the New Product shall, except as otherwise provided in Article 10, be deemed to be Confidential Information of Lenders Protection for purposes of this Agreement) whereupon Lenders Protection shall negotiate, in good faith, for a period not to exceed [\*\*\*], with American National and the Additional Carriers, if so notified, to determine which of such parties, if any, shall be selected to participate in connection with such New Products and the terms and conditions thereof. If Lenders Protection selects American National, which such selection is at the sole and absolute discretion of Lenders Protection, then Lenders Protection shall negotiate reasonably and in good faith with American National (and any other party selected by Lenders Protection) to enter into an agreement reflecting such terms and conditions. For purposes of establishing absolute clarity hereto, American National acknowledges that, except as provided in this Section 3.2, Lenders Protection has not provided American National any rights of participation in connection with the commercialization of New Products. Lenders Protection acknowledges that American National may currently or in the future be developing new product ideas or receiving new product ideas from others, that are similar to a New Product. Accordingly, nothing in this Agreement will prohibit American National from developing or having developed for its products, concepts, systems or technologies that are similar to or compete with New Products provided that American National does not violate any of its obligations under this Agreement (or any other agreement between the Parties) in connection therewith.

(b) American National may, at its option and in its discretion, provide Lenders Protection with written notice in the event American National desires to begin to commercially offer American National New Products (which such notice would include generally: (i) the description of the American National New Product, (ii) the market to be served, and (iii) the manner in which Lenders Protection could participate therein) (which terms and matters related to the American National New Product shall, except as otherwise provided in Article 10, be deemed to be



Confidential Information of American National for purposes of this Agreement) whereupon the Parties may negotiate, in good faith, for a period not to exceed[\*\*\*], to determine whether Lenders Protection desires to participate in connection with such American National New Products and the terms and conditions thereof. For purposes of establishing absolute clarity hereto, Lenders Protection acknowledges that, except as provided herein, American National shall be under no obligation to allow Lenders Protection to participate in the commercialization of any American National New Products. American National acknowledges that Lenders Protection may currently or in the future be developing new product ideas or receiving new product ideas from others that are similar to an American National New Product. Accordingly, nothing in this Agreement will prohibit Lenders Protection from developing or having developed for its products, concepts, systems or technologies that are similar to or compete with the American National New Products provided that Lenders Protection does not violate any of its obligations under this Agreement (or any other agreement between the Parties) in connection therewith.

### **Section 3.3 – Additional Carrier(s).**

#### **(a) Right to Utilize Additional Carrier(s).**

(i) Notwithstanding any provision of this Agreement or in any other agreement between the Parties to the contrary (including Section 3.2 hereto), Lenders Protection shall have the right to utilize one or more Additional Carrier(s) to issue or arrange for Additional Carrier Policies under the Program, in each case, on the terms and subject to the conditions in this Section 3.3.

(ii) Upon the request (whether verbal, written or electronic) of an Existing American National Lender to Lenders Protection for the Existing American National Lender to be transitioned to the use of one or more Additional Carrier Policies (hereinafter a "Request to Transition") (if the Existing American National Lender provided the request in writing or by email, a copy shall be provided to American National), Lenders Protection may thereafter cause such Existing American National Lender to be issued one or more Additional Carrier Policies (instead of American National Policies) under the Program (hereafter a "Transitioned Lender"). In furtherance of the foregoing, Lenders Protection covenants that, during the Term hereof, it shall not actively solicit, promote, induce or encourage any Existing American National Lender to request a transition from American National to an Additional Carrier. Prior to effectuating any Request to Transition, Lenders Protection shall provide American National with Lender Protection's written notice ("Transition Notice") setting forth in reasonable detail the basis of such Request to Transition (as then known and understood by Lenders Protection) and the proposed effective date of such transition ("Transition Date"). Any such Transitioned Lender shall, following the Transition Date, be classified as an Existing Additional Carrier Lender. Following delivery of any Transition Notice to American National, with reasonable time prior to the Transition Date, Lenders Protection will: (a) consult in good faith with American National and allow American National an opportunity to prevent or avoid the requested transition through explanation, mitigation or cure of the facts, circumstances or events giving rise thereto, and (b) use commercially reasonable efforts to facilitate consultation between: (x) a senior management member of American National, (y) a senior manager of the applicable Existing American National Lender identified by Lenders Protection that has submitted a Request to Transition, and (z) a senior manager of Lenders Protection, with the goal of such consultation being to prevent or avoid the transition through explanation, mitigation or cure of the facts, circumstances or events giving rise thereto. American National understands, acknowledges and agrees that the outcome of any such meeting or consultation and the decision to effectuate a transition is to be determined by Lenders Protection in its reasonable business judgment.

#### **(b) Allocation of Loans by New Allocable Lenders.**

(i) American National acknowledges and agrees that, American National, as well as each Additional Carrier, may (either prior to the date hereof or thereafter) identify certain New Allocable Lenders interested in, and appropriate for, participation in the Program. Thereafter, (in the good faith and reasonable determination of Lenders Protection) each such New Allocable Lender will be assigned to either American National or an Additional Carrier that is (or was, as the case may be) responsible, in whole or in part, for the New Allocable

Lender's participation in the Program (any such New Allocable Lender, shall become an "Existing American National Lender" or an "Existing Additional Carrier Lender," as the case may be).

(ii) If the New Allocable Lender's participation is identified by an Additional Carrier, then such New Allocable Lender will be deemed an Existing Additional Carrier Lender, and the Insured Loans issued by such Existing Additional Carrier Lender will, first, at the option of such Existing Additional Carrier Lender, be issued an Additional Carrier Policy solely by such Additional Carrier, subject to the exceptions set forth in Section 3.3(a)(ii) hereof.

(iii) If the New Allocable Lender's participation is identified by American National, then such New Allocable Lender will be deemed an Existing American National Lender, and the Insured Loans issued by such Existing American National Lender will, first, at the option of such Existing American National Lender, be issued a Policy solely by American National, subject to the exceptions set forth in Section 3.3(a)(ii) hereof.

(iv) In all determinations by Lenders Protection as to whether a New Allocable Lender should be deemed to be an Existing Additional Carrier Lender or an Existing American National Lender, Lenders Protection agrees that such determinations will be made in good faith and in a reasonable manner (following consultation with American National wherever appropriate, and in accordance with Section 3.3(a)(ii), as applicable) and confirmed by a written notice from Lenders Protection to American National setting forth in reasonable detail the basis for such determination.

(v) Lenders Protection shall attempt, in good faith and by use of commercially reasonable efforts, to: (a) allocate, to the extent reasonably practicable, applications for loans to be issued by each New Allocable Lender (other than any application for loans issued by a New Allocable Lender that is deemed an Existing Additional Carrier Lender or an Existing American National Lender, as the case may be) to comply with the Target Allocation, and (b) maintain, to the extent reasonably practicable, the Target Allocation. In furtherance of the foregoing, Lenders Protection shall allocate applications for loans issued by each New Allocable Lender (other than any application for loans issued by a New Allocable Lender that is deemed an Existing Additional Carrier Lender or an Existing American National Lender, as the case may be) on an alternating basis relative to time of application and relative to the Target Allocation. Alternatively, Lenders Protection will use another methodology determined by Lenders Protection that is reasonably designed to provide for loans from such New Allocable Lenders to give effect to the Target Allocation; this other methodology would provide that a Policy issued by American National to be substantially similar, in the aggregate, in principal amount and other quantitative and qualitative loan, credit and borrower criteria to loans from such New Allocable Lenders that would be covered under one or more Additional Carrier Policies issued by Additional Carrier(s), in both cases so as to give effect to the Target Allocation. For purposes of providing absolute clarity hereto, the Parties agree and acknowledge that Lenders Protection shall not have any liability in the event that American National does not actually receive the Target Allocation of applications for loans (it being agreed and understood that liability shall only occur if Lenders Protection does not use commercially reasonable efforts to achieve (and maintain), to the extent reasonably practicable, the Target Allocation in accordance with this Section 3.3(b)(v)).

(vi) Notwithstanding anything to the contrary in Section 3.3(b)(iii), if American National fails or refuses to issue Policies, or cancels an existing Policy, to any New Allocable Lender, then Lenders Protection may allocate applications for loans from the applicable New Allocable Lender to an Additional Carrier. Additionally, in the event an Additional Carrier fails or refuses to issue Policies, or cancels an existing Policy, to any New Allocable Lender, then Lenders Protection may allocate applications for loans from the applicable New Allocable Lender to American National.

(c) Information and Consultation Regarding Allocation of New Allocable Lenders. Within [\*\*\*] following each Measurement Date, Lenders Protection will provide American National with a written report ("New Allocable Lender Allocation Report") setting forth in reasonable detail a summary of the following information for each of the [\*\*\*] immediately preceding the applicable Measurement Date ("Review Period"): (i) each Existing American National Lender and the number of applications for loans allocated to American National and

the number of Insured Loans covered under each Policy issued or arranged by American National for each Existing American National Lender during each calendar year during the Review Period; (ii) each Existing Additional Carrier Lender (name and other confidential information redacted) and the number of applications for loans allocated to each Additional Carrier and the number of Insured Loans covered under each Additional Carrier Policy issued or arranged by an Additional Carrier for such Existing Additional Carrier Lender during each calendar year during the Review Period; (iii) the number of applications for loans allocated to American National and the number of Insured Loans covered under a Policy issued or arranged by American National for New Allocable Lenders during each calendar year during the Review Period; and (iv) the number of applications for loans allocated to Additional Carriers and the number of Insured Loans covered under an Additional Carrier Policy issued or arranged by an Additional Carrier for New Allocable Lenders during each calendar year during the Review Period (name and other confidential information redacted). In addition and at American National's sole cost and expense, Lenders Protection shall from time to time consult in good faith with American National, make available to American National (during normal business hours and upon reasonable prior notice) any Program Files, and permit American National to exercise audit rights in accordance with Section 6.2, in each case, as may be reasonably requested by American National in connection with American National's review of the New Allocable Lender Allocation Report and the performance by Lenders Protection under this Section 3.3; *provided, however*, Lenders Protection shall not have any obligation to provide American National with access to any confidential information of any third party or Lenders Protection.

**Section 3.4 – No Additional Commitments.** Each Party acknowledges and agrees that the other Party would not have entered into this Agreement but for the assurances herein provided. The Parties hereto acknowledge and agree that, except as provided in this Article 3, no other commitments of exclusivity are intended, expressed or implied.

#### **ARTICLE 4 ISSUANCE OF POLICIES; PROFIT SHARE**

**Section 4.1 – Carrier Rating; Issuances of Policies.** At all times during the Term hereof, American National (or a designee) shall, as a performance obligation hereunder, cause the issuance of Policies, from a carrier with an "A-" or better A.M. Best rating, to all financial institutions who have: (a) entered into a Program Agreement, (b) otherwise completed any necessary documentation reasonably required by American National, and (c) have met all applicable Underwriting Guidelines.

**Section 4.2 – Profit Sharing.** The Parties hereby acknowledge the [\*\*\*]executed contemporaneously herewith, a copy of which is attached as Schedule B hereto.

**Section 4.3 – No Guarantee of Volume.** Each of the Parties hereto acknowledges and agrees that the terms and provisions hereof (including those set forth on Schedule B), have been negotiated at arm's length and that neither Lenders Protection nor any of its representatives, Affiliates or agents has made any predictions, assurances or guarantees with respect to the number of Policies to be issued under the Program during the Term, if any.

**Section 4.4 – SLB Agreement.** American National agrees that it will enter into the SLB Agreement with the Surplus Lines Broker on the terms and conditions reflected therein, a copy of which is attached hereto as Schedule C. Except in the event of a default or breach of any of the Surplus Lines Broker's Material Obligations under the SLB Agreement, American National agrees not to amend or terminate the SLB Agreement for convenience, or replace the Surplus Lines Broker, without the prior written consent of Lenders Protection, if either action would, or is reasonably likely to, negatively impact the profitability of the Program. In the event the basis of the termination of the SLB Agreement is a default or breach by the Surplus Lines Broker of any of its Material Obligations under the SLB Agreement (including failure to timely remit premium payments), American National agrees that, prior to the effective date of such termination, American National will: (a) provide written notice to Lenders Protection of the breach; and (b) afford the Surplus Lines Broker [\*\*\*]to cure such breach and work in good faith with the Surplus Lines Broker (and Lenders Protection if its requests to be involved) to cure such breach. American National agrees that if the Surplus Lines Broker cures such breach or default within the

[\*\*\*]period, American National's notice of termination shall be deemed withdrawn and be of no further force or effect. If, however, the Surplus Lines Broker fails to cure the breach within the [\*\*\*]period, the SLB Agreement shall be deemed terminated at the expiration of the [\*\*\*]period.

**Section 4.5 – Maintenance of Governmental Authorizations.** American National and Lenders Protection, agree to maintain, at all times during the Term hereof, all licenses, authorizations, certificates, and/or permits, as required by each applicable Governmental Authority and/or all Applicable Laws, and shall notify the other Party immediately in writing to the extent any such license, authorization, certificate, and/or permit as required by an applicable Governmental Authority and/or Applicable Law is suspended, revoked, cancelled, not renewed, or otherwise made unavailable.

**Section 4.6 – Claims Administration.** American National agrees that it will enter into a [\*\*\*], an Affiliate of Lenders Protection, as designated by Lenders Protection, for the administration of Claims arising under the Policies. Lenders Protection represents and warrants that the appointed party, whether it be Lenders Protection [\*\*\*], shall conduct such Claims administration in compliance with the terms and conditions of the [\*\*\*]attached hereto as Schedule D. American National agrees that, in the event Lenders Protection [\*\*\*] (as the case may be) breaches the provisions of said [\*\*\*], American National may pursue any direct, actual, out-of-pocket loss (a “Recoverable Loss”) related to such breach of such [\*\*\*]against Lenders Protection, subject to all other terms and provisions of the [\*\*\*]and this Agreement; it being understood that in no instance shall American National be able to obtain any consequential, incidental, special, exemplary, remote or punitive damages or any damages based on diminution in value, lost profits or business interruption.

## ARTICLE 5 LENDERS PROTECTION SERVICES

**Section 5.1 – Administrative Support.** Lenders Protection, or another provider on its behalf, as American National may approve in writing, shall provide American National and each holder of a Policy with the administrative support services, including access to, and continued maintenance of, the Software Platform, required to be performed under this Agreement and each Policy, in a timely manner and in accordance with: (a) all the terms and conditions of this Agreement and each Policy, (b) American National's reasonable guidelines, rules and regulations as provided to Lenders Protection from time to time for the administration of its Policies, and (c) all Applicable Laws. American National agrees that, in the event Lenders Protection breaches the provisions of this Section 5.1, American National may pursue any Recoverable Loss related to such breach of this Section 5.1, subject to all other terms and provisions of this Agreement; it being understood that in no instance shall American National be able to obtain any consequential, incidental, special, exemplary, remote or punitive damages or any damages based on diminution in value, lost profits or business interruption.

**Section 5.2 – Direct Sales; Third Party Sales.** Lenders Protection shall have the right (consistent with the terms of Applicable Law) to source and produce business through the Surplus Lines Broker under the Program as a subagent therefor. Lenders Protection may Engage third parties to contract with the Surplus Lines Broker for the purpose of selling Policies in accordance with this Agreement; provided, however, that: (a) American National has consented in writing to the use and/or services of each such third party, (b) each such third party is licensed with the Surplus Lines Broker as required by Applicable Law, and (c) American National in its sole and absolute discretion, may suspend or terminate any such third party upon the occurrence of any of the following: (x) failure to comply with Applicable Law, (y) any action taken, or order issued, to or against such third party by a Governmental Authority (including censure) that, in American National's discretion, is likely to have a negative impact on American National or this Program, or (z) upon the occurrence of an Event of Bankruptcy of such third party.

### **Section 5.3 – Subcontractors.**

(a) Lenders Protection shall not Engage or authorize any subcontractor or other service provider to provide or render any services required to be performed under a Policy (each, a "Subcontractor") without Lenders

Protection's receipt of the prior written approval of American National, except to the extent provided in Section 5.6 below.

(b) Lenders Protection shall provide Subcontractors with all of American National's guidelines, rules and regulations which have been previously provided to Lenders Protection in writing. Lenders Protection shall also require the Subcontractors to enter into written agreements with Lenders Protection and, if requested by American National, with American National in form and substance satisfactory to the Parties, in which, among other things, each Subcontractor shall agree to comply with all of American National's rules and regulations, the confidentiality obligations set forth in this Agreement, and Applicable Law. As between American National and Lenders Protection, American National shall have no responsibility for any acts or omissions of the Subcontractors and shall have no liability to Lenders Protection or any Subcontractor for any compensation claims by any Subcontractor to be due or owing as a result of its agreements with Lenders Protection.

**Section 5.4 – No Other Authority.** Lenders Protection shall have no authority, nor shall Lenders Protection represent itself as having such authority, to act in any manner regarding the Policies other than as specifically set forth in this Agreement, or as authorized by American National in writing, and in either event, in accordance with Applicable Law.

**Section 5.5 – Underwriting Guidelines.** With respect to any Policy, Lenders Protection and American National shall comply with and be bound by: (a) the Underwriting Guidelines as may be amended from time to time, and (b) all Applicable Laws. American National agrees that it will not request an amendment, modification, change, supplement or alternative interpretation of the Underwriting Guidelines unless there is a bona fide industry, business, legal, or marketplace reason to do so. American National acknowledges that the commitment made in the foregoing sentence was material to Lenders Protection's decision to enter into this Agreement and that Lenders Protection would not have entered into this Agreement but for such commitment. American National agrees to provide Lenders Protection with written notice of any proposed amendment, modification, change, supplement or alternative interpretation of the Underwriting Guidelines together with advice as to the industry, business, legal, or marketplace reason therefor. If Lenders Protection provides American National with notice in writing of any reasonable, good faith objection to any proposed amendment, modification, change, supplement or alternative interpretation of the Underwriting Guidelines, American National shall: (a) work in good faith to promptly address any such objections or concerns raised by Lenders Protection for a period of [\*\*\*] and (b) to the extent legally possible and requested by Lenders Protection, adjust the premiums associated with such Policies prior to the effectiveness of any changes to the Underwriting Guidelines. In the event that American National proposes any amendment, modification, change, supplement or interpretation to the Underwriting Guidelines and Lenders Protection continues to object reasonably and in good faith thereto at the conclusion of the Cooperation Period (the "Change Date") and American National continues to insist on such amendment, modification, change, supplement or interpretation, Lenders Protection shall have the right by written notice to American National to: (a) modify the Target Allocation at the sole and absolute discretion of Lenders Protection (which may change, from time to time) to exempt the allocation of applications for loans following the Change Date to be made without reference to the Target Allocation or the commitments of Lenders Protection under Section 3.3(b)(iii), or (b) terminate this Agreement immediately upon written notice thereof to American National. If there are changes in any Applicable Law or if any Governmental Authority issues an opinion that renders the services or certain aspects of the services of Lenders Protection provided hereunder illegal or otherwise prohibited or restricted, then Lenders Protection shall use commercially reasonable efforts to promptly develop and propose changes in the services and take other actions reasonably required so that the services continue to satisfy the intent of the Parties hereunder as well as all Applicable Laws. In the event that Lenders Protection and/or American National determines that such proposed changes in the services are insufficient to comply with Applicable Laws, Lenders Protection shall have the right to either: (a) request American National to perform such services (or additional services) but only to the extent that such services (or additional services) would not be in violation of Applicable Laws and/or impose a material cost or obligation on American National as a result thereof, (b) retain the services of another provider to perform such services (subject to American National's approval), or (c) terminate this Agreement immediately upon written notice thereof to American National. Additionally, American National, may, in its discretion, terminate this Agreement immediately upon written notice thereof to Lenders Protection in the

event Lenders Protection exercises the provisions of subsection (a) or (b) of the preceding sentence. Lenders Protection agrees to provide American National with notice in writing of any proposed amendment to the Underwriting Guidelines.

**Section 5.6 – Affiliates as Subcontractors.** Notwithstanding anything contained herein to the contrary, American National hereby expressly confirms that Affiliates of Lenders Protection may function as Subcontractors of Lenders Protection hereunder [\*\*\*] of American National. Lender's Protection understands and agrees that at all times it shall retain all liability for its obligations that are performed by any Affiliate and any Subcontractor.

**Section 5.7 – Reporting and Payment to American National.** Lenders Protection shall ensure that each loan made through the Software Platform and requested by Lenders Protection to be made part of the Program with American National is reported to American National in accordance with this Agreement and is otherwise scheduled to the appropriate Policy, in accordance with American National's requirements and direction. American National will be paid, when due, all premiums calculated in accordance with the terms of this Agreement in respect of each Insured Loan covered by a Policy, it being understood that the premiums for such Policies are paid by the Surplus Lines Broker and the failure of such Surplus Lines Broker to remit (promptly or otherwise) payment to American National will not be deemed to be a breach of this Agreement (although it may, in American National's discretion be deemed a breach of the SLB Agreement). Notwithstanding the foregoing, Lenders Protection will not interfere with timely payments by the Surplus Lines Broker and covenants to provide reasonable assistance to American National to obtain payment by the Surplus Lines Broker. Nothing in this Section 5.7 is intended to interfere with the rights afforded to American National pursuant to Section 4.4. of this Agreement.

**Section 5.8 – FCRA Compliance.** Lenders Protection shall be solely responsible for communicating to American National which applicants for loans should receive an adverse action notice as required by Applicable Law because such applicants were refused coverage under the Policies due to information in the borrower's credit file. [\*\*\*] Lender's Protection shall generate and send a data file to American National that will contain each adverse action applicant, including the most relevant reasons for each adverse action. Such data file will include the information requested by American National in order to comply with the Fair Credit Reporting Act ("FCRA") regulations concerning adverse action notices and any other information reasonably required by American National. Such denial information shall be provided to American National within at least [\*\*\*] after each application is declined. American National, or its designated vendor, (which vendor is subject to approval by Lenders Protection, which approval shall not be unreasonably withheld, conditioned, or delayed (an "Approved Vendor")), shall be responsible for mailing the adverse action notices to consumers. In the event an approved Vendor is used by American National, the Approved Vendor shall be bound by confidentiality obligations and American National may deliver such denial information to such Approved Vendor for delivery as required by Applicable Law. American National understands, acknowledges and agrees that American National will be responsible for any improper use or distribution of such information by the Approved Vendor. In the event a consumer responds to an adverse action provided hereunder, Lenders Protection will respond to such consumer in the same manner of communication used by the consumer (i.e., telephone or mail).

## ARTICLE 6 ACCESS TO RECORDS AND AUDITS

**Section 6.1 – Maintenance of Program Files.** The Parties shall keep, and shall require their Affiliates, as applicable, to keep, commercially reasonable accounts, books and records of all business transacted under this Agreement and the Policies, including without limitation, copies of all applications, scheduled loans and all books, records, data, information, accounts, documents or correspondence reasonably related thereto ("Program Files").

**Section 6.2 – Inspection and Audit of Program Files.** During the Term of this Agreement and for so long as there remains outstanding any risk that may be claimed pursuant to a Policy that was issued prior to the termination of this Agreement, either Party and its authorized representatives, at its sole cost and expense, may inspect and audit any of the Program Files of the other (but, in no event will Lenders Protection be required to

allow American National to inspect or audit any Program Files related to Additional Carriers or Additional Carrier Policies) either, at the option of the Party being audited: (a) during normal business hours at any office of such retaining Party, or (b) by having the Program Files copied and delivered to the Party requesting the audit at the cost of the Party requesting the audit. All Program Files shall be maintained separately from the records not constituting Program Files. Program Files shall be maintained by the Parties for a period equal to its document retention program, [\*\*\*] after the expiration of the Policies and scheduled Insured Loans, until the completion of a financial or market conduct examination of such Program Files by the insurance regulatory authority of the state in which American National is domiciled, or as required by Applicable Law, whichever is longer. In no event shall [\*\*\*] have the right to review, audit or obtain copies of any books, records, data, information, accounts, documents or correspondence not constituting Program Files.

## ARTICLE 7 INDEMNIFICATION

**Section 7.1 – General Indemnity.** Each Party will indemnify, defend and hold harmless the other Party and its respective officers, directors, employees, Affiliates and agents (each, an "Indemnified Party" and collectively, the "Indemnified Parties") from and against any demands, claims, actions by third parties, losses, liabilities, fines, penalties, costs and/or expenses, including but not limited to reasonable attorneys' fees and costs (collectively, an "Indemnification Request"), to the extent such Indemnification Request arises from the acts, errors, or omissions of the other party, including, but not limited to negligence, willful misconduct, violation of any Applicable Law, wrongful disclosure of Confidential Information, or default or breach of any Material Obligation under this Agreement by the other Party or its Subcontractor, or to the extent such Indemnification relates to a breach of a representation, warranty or covenant of a Party set forth in this Agreement. Notwithstanding the above, the Indemnifying Party (defined herein) shall have no duty to indemnify the Indemnified Parties against any portion of any claim that results from the negligence, willful misconduct, or criminal act of the Indemnified Parties. The provisions of this Article 7 will survive the termination of this Agreement.

**Section 7.2 – Indemnification Procedures.** If an Indemnified Party has reasonable cause to believe it has grounds for indemnification under this Agreement, it will promptly deliver a written notice of its Indemnification Request to the other Party (the "Indemnifying Party"), but in any event not less than reasonable notice to allow the Indemnifying Party to react timely to the claim, lawsuit or other proceeding, setting forth with reasonable particularity the grounds for the Indemnification Request. The Indemnifying Party will have the right to control the defense of any such claim, lawsuit or other proceeding covered by this Article 7 of this Agreement. If there is asserted any Indemnification Request by a Person not a party to this Agreement (a "Third Party Indemnification Request") including, without limitation, an Indemnification Request demanding that the Indemnified Party take any action in respect of or relating to the Policies or the Software Platform, the Indemnified Party must notify the Indemnifying Party in writing of the Third Party Indemnification Request as soon as practicable but no later than [\*\*\*] after receipt by such Indemnified Party of written notice of the Third Party Indemnification Request. Thereafter, the Indemnified Party will deliver to the Indemnifying Party, as soon as practicable after receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Indemnification Request. The failure to notify the Indemnifying Party will not relieve the Indemnifying Party of any liability that it may have to the Indemnified Party, except to the extent the Indemnifying Party demonstrates that the defense of such action is prejudiced by the Indemnified Party's failure to give such notice. The Indemnifying Party will be entitled to participate in the defense of a Third Party Indemnification Request made against an Indemnified Party and, if it so chooses, to assume the control of the defense thereof with counsel of its choosing. If the Indemnifying Party elects to assume the control of the defense of a Third Party Indemnification Request, the Indemnified Party will: (a) cooperate fully with the Indemnifying Party in connection with such defense, (b) not admit any liability with respect to, or settle, compromise or discharge any Third Party Indemnification Request without the Indemnifying Party's prior written consent, and (c) agree to any settlement, compromise or discharge of a Third-Party Indemnification Request which the Indemnifying Party may recommend and which by its terms: (i) includes a release of all covered claims in connection with such Third Party Indemnification Request, (ii) contains no admission of liability or wrongdoing

on the part of the Indemnified Party, and (iii) imposes no obligation or liability on the Indemnified Party. In the event the Indemnifying Party will assume the control of the defense of any Third Party Indemnification Request as provided above, the Indemnified Party will be entitled to participate in (but not control) such defense with its own counsel at its own expense. If the Indemnifying Party does not so assume the control of the defense of any Third Party Indemnification Request, the Indemnifying Party will be entitled to participate in (but not control) the defense of such Third-Party Indemnification Request with its own counsel at its own expense.

## ARTICLE 8 CUSTOMER DATA

**Section 8.1 – Limitations on Collection.** Except as otherwise expressly agreed to in writing by Lenders Protection and American National or as otherwise set forth herein, American National shall not collect any consumer credit card information, social security number, financial account numbers (e.g., debit card number or bank account information), account passwords and pass codes, driver's license and/or government-issued identification number, mother's maiden name, or healthcare records in connection with the Policies. Further, Lenders Protection agrees that it shall not send or otherwise make available to American National any information described in this Section 8.1, unless agreed to in writing by the Parties.

## ARTICLE 9 INTELLECTUAL PROPERTY

**Section 9.1 – Continuing Ownership.** Each Party acknowledges that any Intellectual Property (as defined below) of the other Party is and shall continue to be owned by such other Party subject only to any licenses that may from time-to-time be granted by one Party to another. "Intellectual Property" shall mean: (a) inventions (regardless of whether filed as patent applications), patents and patent applications, (b) trademarks, service marks, trade names, trade dress and domain names, together with any goodwill associated exclusively therewith, (c) copyrights, including copyrights in computer software, (d) confidential and proprietary information, including trade secrets and know-how, and (e) registrations and applications for registrations of the foregoing. American National acknowledges and agrees that Lenders Protection's Intellectual Property expressly includes, without limitation, the Software Platform, the Program, the Improvements (defined below), and all information and data (including Performance Data) involved in or regarding the Software Platform, the Program and/or the Improvements. Both American National and Lenders Protection hereby agree that Performance Data is owned by Lenders Protection and that American National has a limited license to use the Performance Data as provided in Section 9.3.

**Section 9.2 – Improvements to the Platform.** Except for Performance Data (which is governed by Section 9.3), any deliverables (including process flows, scripts and diagrams), developments, inventions, discoveries, improvements, modifications, alterations, derivative works or enhancements relating, directly or indirectly, to the Software Platform or the Program ("Improvements") that are made, conceived, discovered or reduced to practice by the employees or contractors of American National, Lenders Protection (either alone or in combination with others) or American National and Lenders Protection jointly, during and/or in the course of performance of this Agreement, together with all Intellectual Property rights therein, shall be owned exclusively by Lenders Protection and American National covenants and agrees to execute any documentation necessary to reflect the foregoing and hereby conveys the same to Lenders Protection. American National covenants that it will not, directly or indirectly, attack or assist another in attacking Lenders Protection's right, title and ownership of its Intellectual Property, the Software Platform, the Program and/or the Improvements. American National shall notify Lenders Protection of any infringements of Lenders Protection's rights in its Intellectual Property, the Software Platform, the Program and/or the Improvements coming to the attention of American National. To the extent requested by Lenders Protection (at any time following the Effective Date hereto), American National shall execute (and American National shall cause all of its current and former employees and independent contractors to execute),



without requirement for additional payment or consideration, such documents, agreements, patent applications or other applications for registration of Intellectual Property rights or letters of assignment that Lenders Protection deems reasonably necessary to establish, perfect and/or protect its rights to the Improvements hereunder.

**Section 9.3 – Performance Data.** The Parties agree and acknowledge that the Performance Data generated by this Program related to Policies issued by American National shall be owned by Lenders Protection and American National will have a limited license to use the Performance Data hereto such that each Party shall, subject to the following, be permitted to use, license, possess, copy, reproduce, change, modify, adapt, enhance, revise, correct, create derivative works from, distribute and otherwise commercially exploit ("Use") the Performance Data, both before and after the termination or expiration of this Agreement, subject to: (a) the other restrictions contained herein (including, by way of example and not limitation, exclusivity and non-competition), and (b) American National's commitment (which is hereby given) not to license, assign, transfer, distribute or otherwise make the Performance Data available to any third parties (whether before or after the termination or expiration hereof), except to American National's Affiliates provided that: (y) any such American National Affiliate agrees that its obligations with respect to such Performance Data are identical to American National's under this Agreement, and (z) American National agrees that it shall be responsible and liable for the acts and/or omissions of its Affiliate on a joint and several basis, and (c) American National's acknowledgment and agreement (which is hereby given) that its limited license in the Performance Data hereunder gives it no rights in any Improvements. Notwithstanding the foregoing, in connection with Lenders Protection's limited license to American National, the Parties hereto acknowledge and agree: (i) American National's Use of the Performance Data will solely be in furtherance of American National's rights and obligations under this Agreement during the Term and, after the Term, to facilitate the Post-Termination Support and shall not, in any instance, be used by American National for Automatic Decisioning, (ii) only Lenders Protection shall be permitted to file and prosecute applications for the registration of and/or to enforce Intellectual Property rights with respect to the Performance Data (provided, however, Lenders Protection agrees that such prosecution and enforcement rights shall in no way mitigate, diminish, lessen or in any way alter the other rights explicitly provided to American National hereunder), and (iii) no duty exists with respect to the sharing of proceeds derived from the respective exploitation of the Performance Data. Each Party agrees to provide the other, in any manner or media reasonably requested, both during the Term hereof and afterwards, a copy of the Performance Data then in the possession of such Party (provided, however, the reasonable costs and expenses incurred to make such copy shall be reimbursed by the requesting Party). Lenders Protection reserves all rights not expressly granted herein.

**Section 9.4 – Notice and Approval of Use of Trademarks.** With the express exception of each Party's use of the other's name and/or trademarks in the matters set forth on Schedule F, to which each Party hereby consents, neither Party shall be permitted to use at any time nor in any manner the other Party's trademarks, service marks, or trade names (collectively "Trademarks") without having first received the prior approval of the other Party of such proposed use, such approval not to be unreasonably withheld, conditioned or delayed. Any request for approval by a Party shall be submitted to the other Party by a written notice specifying: (a) the subject Trademarks, and (b) the proposed use of such Trademarks, together with samples of the proposed marketing materials and media (e.g., specific marketing piece or web page display) showing the appearance and placement of the Trademarks. The other Party shall promptly provide written response, approving or disapproving, the use of its Trademarks. Neither Party shall unreasonably withhold or delay its approval of the use of its Trademarks.

**Section 9.5 – Protection of Trademarks.** Nothing in this Agreement shall be construed to bar American National or Lenders Protection, prior to or after the termination of this Agreement, from protecting their respective rights to the exclusive use of their respective Trademarks against infringement by any party or parties, including the other Party.

**Section 9.6 – Injunctive Relief.** American National and Lenders Protection recognize that each of their respective Trademarks possess a special, unique and extraordinary character which makes it difficult to assess the monetary damages a Party would sustain in the event of unauthorized use. Each Party expressly recognizes and agrees that irreparable injury would be caused to the other Party by such unauthorized use, and that preliminary or permanent injunctive relief would be appropriate in the event of breach of this Section 9.6 by the other, Party, provided that

such remedy would not exclude other remedies otherwise available to American National or Lenders Protection. The obligations under this Article 9 shall survive the termination of this Agreement.

## ARTICLE 10 CONFIDENTIALITY

### Section 10.1 – Confidential Information.

The Parties acknowledge that the terms of the [\*\*\*] and executed by the Parties, a copy of which is attached as Schedule G to this Agreement, shall apply to the Confidential Information (defined therein) exchanged by the Parties, or acquired by one Party regarding the other Party. The obligations under this Article 10 shall survive the expiration or termination of this Agreement.

## ARTICLE 11 INSURANCE

### Section 11.1 – Insurance Requirements.

(a) During the Term of this Agreement, each of the Parties hereto shall secure and/or maintain, at its own expense, and shall require all subagents and Subcontractors to secure and maintain, at such subagents' or Subcontractor's own expense, the following insurance with insurance companies qualified to do business in the jurisdiction in which the services will be performed and having a rating A-VII or better in the current Best's Insurance Reports published by A.M. Best Company. Said policy or policies shall not be canceled or altered without at least [\*\*\*] prior written notice to the other Party. The insurance coverages and limits required to be maintained by the Parties and their respective Subcontractors shall be primary to insurance coverage, if any, maintained by the other. Each Party and its Subcontractors and their underwriters shall waive all right so subrogation against the other.

(b) Worker's Compensation Insurance which shall fully comply with the statutory requirements of all applicable state and federal laws and Employers' Liability Insurance which limit shall be [\*\*\*].

(c) Commercial General Liability Insurance with a minimum combined single limit of liability of [\*\*\*]. This policy shall include [\*\*\*] coverage and [\*\*\*] coverage.

(d) Excess coverage with respect to Sections 11.1(b) and 11.1(c) above with a minimum combined single limit of [\*\*\*].

(e) Each Party shall be responsible for loss of the other's property and customer property due to the dishonest acts of its employees, directly or indirectly, and shall maintain fidelity bond or crime coverage for the dishonest acts of its employees in a minimum amount of [\*\*\*].

## ARTICLE 12 REPRESENTATIONS, WARRANTIES AND COVENANTS

**Section 12.1 Mutual Representations and Warranties.** Each Party represents and warrants to the other Party the following:

(a) such Party's execution, delivery and performance of this Agreement: (i) has been authorized by all necessary corporate action, (ii) does not violate the terms of any law, regulation, or court order to which such Party is subject or the terms of any agreement to which such Party or any of its assets may be subject, and (iii) is not subject to the consent or approval of any third-party;

- (b) this Agreement is the valid and binding obligation of such Party, enforceable by the other Party against such Party in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general application relating to or affecting creditors' rights and to general principles of equity;
- (c) to its knowledge, such Party is not subject to any pending or threatened litigation or governmental action which could interfere with such Party's performance of its obligations hereunder;
- (d) such Party is in good standing in the state of its organization and is qualified to do business as a foreign corporation in each of the other states in which the nature of its business or assets requires such Party to be so qualified;
- (e) such Party shall secure or has secured all permits, licenses, regulatory approvals and registrations required to perform its covenants, duties and obligations contemplated herein, including without limitation, registration with the appropriate taxing authorities for remittance of taxes;
- (f) such Party shall use all reasonable care in handling the other Party's data that is in such Party's possession. Without limitation of the foregoing, such Party shall maintain, in accordance with prudent standards of insurance record-keeping and in a format readable by the other Party, weekly and monthly off-site backup copies of the other Party's computer data that is in such Party's possession;
- (g) except as otherwise specifically provided in this Agreement, such Party shall be solely responsible, without any right of reimbursement from the other Party, for any and all expenses that it incurs including but not limited to rentals, transportation facilities, remuneration of clerks or other employees, commissions to dealers, postage, administration fees, state or local license and appointment fees, and all other expenses of whatever nature. The conduct by such Party of its business shall be at its own sole cost, credit, risk, and expense.
- (h) There is no action, claim, suit or proceeding pending or, to the knowledge of such Party, threatened, against such Party or any of its Affiliates that could adversely affect (i) such Party's ability to perform its covenants, duties or obligations under this Agreement, or (ii) its duties and obligations under any Policy; and
- (i) Such Party has, to the best of such Party's knowledge, the capability and the capacity to perform the services under this Agreement and each Policy. Each of the Parties shall use best efforts to perform such services in accordance with this Agreement and each Policy, and in compliance with all Applicable Laws. Each of the Parties shall secure and maintain, for the duration of this Agreement, all licenses required to be maintained by it under all Applicable Laws.

**Section 12.2 – Representation and Warranty Regarding the Software Platform.** Lenders Protection represents and warrants to American National that, as of the date hereof, to the actual knowledge of Lenders Protection (without conducting further inquiry or due diligence), the Software Platform does not infringe upon or violate any intellectual property right of a third party.

**Section 12.3 – Covenant of the Parties.** The Parties shall deliver as soon as reasonably practicable written notice to the other Party upon the occurrence of any action, claim, suit or proceeding threatened against such Party or its Affiliates or Subcontractors that could adversely affect such Party's ability to perform its covenants, duties or obligations under this Agreement or any Policy.

### ARTICLE 13 DISPUTE RESOLUTION

**Section 13.1 – Dispute Resolution.** The Parties agree to attempt to settle any dispute arising out of this Agreement through consultation and negotiation in good faith and in the spirit of mutual cooperation. In the event of a dispute, the Parties agree to meet to try to resolve the dispute within [\*\*\*] of one Party delivering written notice to the other Party containing a request for a meeting. If, within a reasonable time after such meeting (not to exceed [\*\*\*]), the Parties have not succeeded in negotiating a resolution of the dispute, then either Party may commence mediation as provided herein by delivering a written demand for mediation to the other Party.

**Section 13.2 – Mediation.** Except as provided herein, no civil action with respect to any dispute, claim or controversy arising out of or relating to this Agreement may be commenced until the matter has been submitted to JAMS, or its successor, for mediation in Houston, Texas. Either Party may commence mediation by providing to JAMS and the other Party a written request for mediation, setting forth the subject of the dispute and the relief requested. The Parties will cooperate with JAMS and with one another in selecting a mediator from JAMS' panel of neutrals, and in scheduling the mediation proceedings. The Parties covenant that they will participate in the mediation in good faith, and that they will share equally in its costs. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator and any JAMS employees, are confidential, and inadmissible for any purpose, including impeachment, in any litigation or other proceeding involving the Parties, *provided* that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. Either Party may seek equitable relief prior to the mediation to preserve the status quo pending the completion of that process. Except for such an action to obtain equitable relief, neither Party may commence a civil action with respect to the matters submitted to mediation until after the completion of the initial mediation session, or [\*\*\*] after the date of filing the written request for mediation, whichever occurs first. Mediation may continue after the commencement of a civil action, if the Parties so desire. The provisions of this paragraph may be enforced by any court of competent jurisdiction, and the Party seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorney's fees, to be paid by the Party against whom enforcement is ordered.

### ARTICLE 14 GOVERNING LAW AND JURISDICTION

**Section 14.1 – Governing Law.** This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas (without regard to its conflicts or choice of laws principles that could or would cause the application of any other laws).

**Section 14.2 – Consent to Jurisdiction and Venue.** Each of the Parties hereto hereby irrevocably consents and submits to the exclusive jurisdiction of the United States District Court for the Southern District of Texas, Houston Division, which the Parties hereto agree shall be the court of adjudication in connection with any suit, action or other proceeding arising out of the terms of this Agreement, and, if such dispute cannot be adjudicated in such court for any reason, including without limitation, a lack of subject matter jurisdiction, then such dispute shall be heard in the any court of appropriate jurisdiction residing in Harris County, Texas (collectively, the United States District Court for the Southern District of Texas, Houston Division, and any court of appropriate jurisdiction in Harris County, hereinafter the "Agreed Courts"), to which the Parties hereto hereby irrevocably consent and submit to the jurisdiction thereof and venue therein. Each of the Parties hereby unconditionally and irrevocably waives any objection to venue in the Agreed Courts.

**Section 14.3 – Waiver of Jury Trial.** Each of the Parties hereto hereby irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby or thereby. The waiver in this Section 14.3 has been made with the advice of counsel and with a full understanding of the legal consequences thereof and shall survive the termination of this Agreement.

## ARTICLE 15 MISCELLANEOUS

**Section 15.1 – Entire Agreement.** This Agreement, along with the Schedules attached hereto constitutes the entire agreement between the Parties with respect to the Program and the subject matter herein and no other arrangements, agreements or understandings exist between the Parties regarding the subject matter of this Agreement other than as expressed herein.

**Section 15.2 – Notices.** Any and all notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given when:

(a) received by the receiving Party if mailed via United States registered or certified mail, return receipt requested, (b) received by the receiving Party if mailed by United States overnight express mail, (c) sent by electronic mail, or (d) delivered in person or by commercial courier to the Parties at the following addresses:

If to American National:

[\*\*\*]

With mandatory copy to:

[\*\*\*]

If to Lenders Protection:

[\*\*\*]

With mandatory copy to:

[\*\*\*]

Either Party may change the names or addresses where notice is to be given by providing notice to the other Party of such change in accordance with this Section 15.2.

**Section 15.3 – Severability; Remedies.** If any provision of this Agreement shall be rendered illegal or unenforceable by Applicable Laws of any state, such provision shall be considered void in such state, but this shall not affect the validity or enforceability of any other provision of this Agreement or the enforceability of such provision in any other jurisdiction. Except to the extent expressly required otherwise, the remedies provided herein shall not be exclusive of any other rights or remedies available by one Party against the other, either at law or in equity. For purposes of establishing absolute clarity, American National hereby agrees and acknowledges that its agreement to permit an Extension Period to the Non-Compete Period (as contemplated by Section 3.1(c)) shall be deemed an additional remedy and shall not preclude Lenders Protection from seeking any other rights or remedies available at law or in equity.

**Section 15.4 – Amendments.** No amendment, change or modification of this Agreement shall be valid or binding unless set forth in writing duly executed by both Parties.

**Section 15.5 – Survival.** It is expressly agreed by the Parties that the terms, conditions and obligations contained in Articles 1, 5-7, 9, 10, 12-15 and Sections 2.3, 3.1, 3.2, and 14.3 herein shall survive any termination of this Agreement.

**Section 15.6 – Assignment.** Subject to the provisions of Sections 2.2(g) and (h) of this Agreement, either Party to this Agreement may assign this Agreement or any of its rights or delegate any of its duties or obligations under this Agreement, without the prior written approval of the other Party, in connection with a Change of Control transaction. Except where an assignment is made by a Party to its Affiliate, neither Party to this Agreement may assign this Agreement or any of its rights or delegate any of its duties or obligations under this

Agreement in any transaction not constituting a Change of Control, without the prior written consent of the other Party.

**Section 15.7 – No Partnership.** The Parties hereto do not intend to create a relationship of principal and agent, nor do they intend to create a joint venture or partnership. No Party hereto shall be liable for or bound by any representation, act or omission whatsoever of the other Party.

**Section 15.8 – No Third Party Beneficiaries.** Except as otherwise expressly provided herein to the contrary, this Agreement shall be binding upon and inure solely to the benefit of the Parties hereto, and their permitted successors and assigns, and nothing herein is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

**Section 15.9 – Counterparts.** This Agreement may be executed in two (2) or more counterparts (including by facsimile), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**Section 15.10 – Business Continuity.** Each of the Parties shall establish and maintain commercially reasonable contingency plans, recovery plans and risk controls to plan for its continued performance under this Agreement (collectively, the “Contingency Plans”). Each Party shall make its Contingency Plans available to the other Party promptly following the other Party’s request therefor, provided that each Party’s Contingency Plans shall be considered Confidential Information for purposes of this Agreement.

**(Signatures on next page)**

**IN WITNESS WHEREOF**, the Parties hereto by their respective duly authorized representatives have executed this Agreement as of the Effective Date.

American National:

Lenders Protection

**American National Lloyds Insurance Company  
ANPAC Louisiana Insurance Company**

**Lenders Protection, LLC**

BY: \_\_\_\_\_

Name: James W. Pangburn

Title: EVP, Specialty Markets Sales and Marketing (SVP of ANLIC)

BY: \_\_\_\_\_

Name: John Flynn

Title: CEO/Chairman of the Board

## SCHEDULE A DEFINITIONS

"**Acquire**" or "**Acquiring**" means to buy, merge with or otherwise acquire, in one transaction or a series of related transactions, a controlling interest in.

"**Acquiring Person**" refers to the Person that is Acquiring the business operations of American National or Lenders Protection, as the case may be, in a Change of Control, including: (a) that Person that is acquiring all or substantially all of the assets; (b) that Person that is acquiring a majority of the equity interests; and/or (c) to the extent applicable, that Person becoming the successor in interest to the business of American National or Lenders Protection in connection with any dissolution, winding up, cessation of business or liquidation, other than in connection with an Event of Bankruptcy.

"**Additional Carrier**" means an insurance company selected by Lenders Protection at its absolute discretion that is not an Affiliate of American National and that agrees to issue or arrange Additional Carrier Policies in accordance with a Producer Agreement (however titled) between such Additional Carrier and Lenders Protection provided, that such insurance company shall maintain an "A-" or better A.M. Best rating.

"**Additional Carrier Policy(ies)**" means the credit default insurance policies issued or arranged by an Additional Carrier in accordance with an agreement between such Additional Carrier and Lenders Protection.

"**Additional Protection Period**" shall mean (a) if a written notice of termination at least [\*\*\*] prior to the expiration of the Initial Term or the applicable Renewal Term has been delivered hereunder, the expiration of the then-current Term, or (b) [\*\*\*] following the date of termination or expiration of this Agreement.

"**Affiliate**" means, with respect to a Party, any other Person (other than a natural person or a Governmental Authority) now or hereafter controlled by, controlling or under common control with such Party; control shall be deemed to exist when a Person (other than a natural person or a Governmental Authority) owns or controls, directly or indirectly, fifty percent (50%) or more of the total outstanding equity interests representing the right to vote for the election of directors or other managing authority of another Person (other than a natural person or a Governmental Authority) or has the power to direct the management or policies of such Person (other than a natural person or a Governmental Authority).

"**Agreed Courts**" shall have the meaning set forth in Section 14.2.

"**Agreement**" shall have the meaning set forth in the preamble.

"**Applicable Law**" means any applicable order, law, statute, regulation, rule, ordinance, writ, injunction, directive, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Authority applicable to the Parties' performance under this Agreement and the Policies.

"**Approved Vendor**" shall have the meaning set forth in Section 5.8.

"**Automatic Decisioning**" refers to the ability of the Software Platform or other solution to (a) determine whether applications meet default credit insurance eligibility criteria; (b) calculate applicable default insurance premiums for eligible applications; (c) calculate applicable interest rates with respect to applications covered by default insurance in accordance with established criteria; (d) perform default credit insurance and default credit insurance-related vehicle loan originations; or (e) perform default credit insurance-related decisioning or pricing functions.

"**Business Day**" means any day other than a Saturday, Sunday and any day on which commercial banks doing business in Texas are required or permitted by law to be closed.



"C.S.T." shall have the meaning set forth in Section 2.1.

"Change Date" shall have the meaning set forth in Section 5.5.

"Change of Control" means any of the following occurrences: (a) the sale, in a single transaction or series of related transactions, of all or substantially all of the assets of Lenders Protection or American National, as the case may be (or of any Affiliate of Lenders Protection or American National that owns and controls such entity, as the case may be); (b) the issuance, sale or transfer (including, without limitation, in connection with any business combination, merger, reorganization, stock sale, stock issuance or other transaction), in a single transaction or series of related transactions, of equity interests of Lenders Protection or American National, as the case may be (or any Affiliate of Lenders Protection or American National that owns and controls such entity, as the case may be) following which the equityholders that hold a majority of the economic and voting interests of Lenders Protection or American National, as the case may be (or any Affiliate of Lenders Protection or American National that owns and controls such entity, as the case may be) on the Effective Date hereof ceases to own a majority of the equity interests of such entity following such transaction or (c) any dissolution, winding up, cessation of business or liquidation of Lenders Protection or American National, as the case may be (or any Affiliate of Lenders Protection or American National that owns and controls such entity, as the case may be), other than in connection with an Event of Bankruptcy.

"Claim" means a monetary demand, suit, occurrence, or loss, actual or alleged, for which a policyholder and/or claimant seeks or may seek a Loss Settlement under a Policy. The term "Loss Settlement" has the meaning attributable to such term in the Policy.

"American National" shall have the meaning set forth in the preamble.

"American National's Non-Competition Commitment" shall have the meaning set forth in Section 3.1(c).

"American National New Product" shall mean new product offering(s) of American National that: (a) will be launched, for the first time, after the Effective Date; and (b) requires a policy of insurance similar to the Policies. Under no circumstances shall the term "American National New Product" refer to: (x) Policies to be issued under this Program, (y) policies to be issued in connection with the Software Platform, but under other programs with other insurance companies, or (z) products or services to be marketed and sold generally outside of North America. For the avoidance of doubt, American National New Products shall not compete with the credit default insurance Policies issued under the Program.

"Compete with Lenders Protection" shall have the meaning set forth in Section 3.1(b).

"Confidential Information" shall have the meaning set forth in Section 10.1.

"Directly Competitive Business of Lenders Protection" shall mean any business operating anywhere in [\*\*\*] that uses or depends upon any software platform or other solution to perform Automatic Decisioning for credit default insurance related to automobile loans; provided, however, that for the avoidance of doubt, the term "Directly Competitive Business of Lenders Protection" shall not include any Indirectly Competitive Business. [\*\*\*].

"Directly Competitive Business of American National" shall mean any business operating anywhere in [\*\*\*] that promotes or provides a broad spectrum of business insurance products (including [\*\*\*]).

"Disclosing Party" shall have the meaning set forth in Section 10.1.

"Effective Date" shall have the meaning set forth in the preamble.

"**Engage**" means to be or become, directly or indirectly, either by providing financial assistance or otherwise, engaged in, financially or commercially motivated by or interested or involved in a way (including by means of acting as an underwriter, insurer or reinsurer), or to otherwise participate in connection with (including through distribution) promote or advise.

"**Event of Bankruptcy**" shall be deemed to have occurred with respect to a Person if either:

- (a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any Applicable Law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of [\*\*\*]; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or
- (b) such Person shall commence a voluntary case or other proceeding under any Applicable Law relating to bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail to, or admit in writing its inability to, pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

"**Existing Additional Carrier Lender**" means a financial institution that is deemed to be an Existing Additional Carrier Lender pursuant to Section 3.3(b)(i).

"**Existing American National Lender**" means a financial institution that has been issued a Policy by American National and/or is deemed to be an Existing American National Lender pursuant to Section 3.3(b)(i).

"**Extension Period**" shall have the meaning set forth in Section 3.1(c).

"**FCRA**" shall have the meaning set forth in Section 5.8.

"**Governmental Authority**" means the United States of America, any federal, state, local or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions thereof or pertaining thereto.

"[\*\*\*]" shall have the meaning set forth in Section 4.6.

"**Improvements**" shall have the meaning set forth in Section 9.2.

"**Indemnification Request**" shall have the meaning set forth in Section 7.1.

"**Indemnified Party**" and "**Indemnified Parties**" shall have the meaning set forth in Section 7.1.

"**Indemnifying Party**" shall have the meaning set forth in Section 7.2.

"**Indirectly Competitive Business**" means any business, consortium or group that owns, operates or controls, either directly or indirectly, a Directly Competitive Business as one or more of its subsidiaries, divisions or business units but such Directly Competitive Business did not generate more than [\*\*\*] of the consolidated gross revenues of the business, consortium or group, when viewed in the aggregate on the last day of the fiscal year of the business, consortium or group immediately preceding the date of Acquisition (as stated in such business

consortium or group's last financial statements prior to the execution of the relevant purchase agreement for such Acquisition).

"**Insured Loan**" means any loan issued under the Program which has been insured under a Policy or an Additional Carrier Policy.

"**Intellectual Property**" shall have the meaning set forth in Section 9.1.

"**Lenders Protection**" shall have the meaning set forth in the preamble.

"**Material Obligation**" shall mean a term or provision of this Agreement that significantly impacts: (i) the obligations of a Party hereunder, such as subject matter, price, quantity, services, terms of payment, business performance, operations, conditions (financial or otherwise), or prospects, that, when considering the general nature of this Agreement as a whole, is of such importance to a Party that it would not have entered into this Agreement unless substantial performance of that obligation by the other Party was assured, and such was apparent to the other Party at the time of entering into this Agreement; and/or (ii) the ability of a Party hereunder to perform its obligations under this Agreement.

"**Measurement Date**" means [\*\*\*].

"**New Allocable Lender**" means a financial institution that has executed a Program Agreement which has, or will have, its Insured Loans insured by a Policy or Additional Carrier Policy.

"**New Allocable Lender Allocation Report**" shall have the meaning set forth in Section 3.3(c).

"**New Products**" shall mean new product offering(s) of Lenders Protection that: (a) will be launched, for the first time, after the Effective Date, (b) require a policy of insurance similar to the Policies, and (c) is/are appropriate for the participation of American National given the then existing competitive, financial, operational and other goals and objectives of American National and Lenders Protection (as determined by Lenders Protection in its reasonable discretion). Under no circumstances shall the term "New Products" refer to: (x) Policies to be issued under this Program, (y) policies to be issued in connection with the Software Platform, but under other programs with other insurance companies; or (z) products or services to be marketed and sold generally outside of North America. For the avoidance of doubt, New Products shall not compete with the credit default insurance Policies issued under the Program hereunder.

"**Non-Compete Period**" shall have the meaning set forth in Section 3.1(a).

"**Party**" or "**Parties**" means American National or Lenders Protection, as applicable and as the context requires.

"**Performance Data**" means the information, data and data elements generated at any time (either during or following the Term hereof) pertaining to the Policies issued by American National under the Program including, without limitation, all information, data (including actuarial data) and data elements relating, directly or indirectly, to the performance, pricing or experience of the loans insured under the Policies issued by American National, and, subject to the foregoing, any Lenders Protection Intellectual Property expressly and solely found in such information, data and data elements. The Parties agree that, under no circumstances shall Performance Data include either: (a) the Software Platform, Program or the Improvements, or (b) any information, data and data elements generated at any time (either during or following the Term hereof) pertaining to any Additional Carrier Policy issued by an Additional Carrier under the Program including, without limitation, all information, data (including actuarial data) and data elements relating, directly or indirectly, to the performance, pricing or experience of the loans issued under any Additional Carrier Policy issued by an Additional Carrier or any Additional Carrier Policy issued by an Additional Carrier themselves. In addition, Performance Data shall not include Confidential Information that constitutes Nonpublic Information as referenced in Article 10.

"**Person**" means any individual, partnership, firm, trust, association, limited liability company, corporation, joint venture, unincorporated organization, other business entity or Governmental Authority.

"**Policy**" or "**Policies**" means the Commercial Credit Monthly Premium Insurance Policy and any endorsements thereto, providing automobile credit default insurance coverage for certain risks associated with auto loans, issued by American National to financial institutions pursuant to this Agreement, and any certificates of insurance issued in connection thereto, the form of which Policy is attached hereto as Schedule E.

"**Post-Termination Support**" shall have the meaning set forth in Section 2.3(c).

"**Problematic Change of Control of American National**" shall mean any Change of Control of American National wherein the Acquiring Person: (a) is Engaged in a Directly Competitive Business with Lenders Protection or; (b) maintains, or is generally regarded as maintaining, (on the date that American National enters into a written agreement to effect a Change of Control) creditworthiness less than that maintained by American National on the Effective Date hereof.

"**Problematic Change of Control of Lenders Protection**" shall mean any Change of Control of Lenders Protection wherein the Acquiring Person is an insurance company Engaged in a Directly Competitive Business of American National.

"**Program**" shall have the meaning set forth in the recitals.

"**Program Agreement**" means the agreement between Lenders Protection and each financial institution which sets forth, at the date of execution thereof, the terms of usage in connection with the Software Platform and other relevant matters.

"**Program Files**" shall have the meaning set forth in Section 6.1.

"**Receiving Party**" shall have the meaning set forth in Section 10.1.

"**Renewal Term**" shall have the meaning set forth in Section 2.1.

"**Request to Transition**" shall have the meaning set forth in Section 3.3(a)(ii).

"**Review Period**" shall have the meaning set forth in Section 3.3(c).

"**Run-Off Data**" refers to such documentation, data, information and reports as Lenders Protection deems reasonably necessary to operate its business following the termination hereof, including such financial data, information and reports as provided by American National during the Term.

"**SLB Agreement**" shall have the meaning set forth in the recitals.

"**Software Platform**" shall have the meaning set forth in the recitals.

"**Subcontractor**" shall have the meaning set forth in Section 5.3.

"**Surplus Lines Broker**" shall mean [\*\*\*] or such other surplus lines broker, approved by Lenders Protection and American National, that shall enter into a Surplus Lines Broker Agreement with American National.

"**Target Allocation**" means, subject to the other provisions hereof, an allocation of applications for loans from New Allocable Lenders (other than any New Allocable Lender that is deemed an Existing Additional Carrier Lender or an Existing American National Lender, as the case may be) that would cause the [\*\*\*].

Notwithstanding the foregoing, Lenders Protection reserves the right to equitably adjust the Target Allocation upon the admittance of Additional Carriers into the Program or if, in the sole determination of Lenders Protection, other business needs require an adjustment thereto and upon the occurrence of a Problematic Change of Control of Lenders Protection, Lenders Protection may effectively, and immediately, adjust the Target Allocation as it may decide in its sole and absolute discretion which may result in not providing American National any further loan applications from New Allocable Lenders.

"**Term**" shall have the meaning set forth in Section 2.1.

"**Third Party Indemnification Request**" shall have the meaning set forth in Section 7.2.

"**Trademarks**" shall have the meaning set forth in Section 9.4.

"**Transitioned Lender**" shall have the meaning set forth in Section 3.3(a)(ii).

"**Underwriting Guidelines**" shall mean the underwriting guidelines applicable to the Program as developed by Lenders Protection and provided to the Surplus Lines Broker and the insurance company(ies) issuing Policies under this Agreement, together with all rules, bulletins and written instructions related thereto. Such Underwriting Guidelines [\*\*\*]designated in writing from time to time by Lenders Protection, which may be updated only in accordance with Section 5.5.

"**Use**" shall have the meaning set forth in Section 9.3.

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [\*\*\*], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

## SCHEDULE B

[\*\*\*]

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [\*\*\*], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

## SCHEDULE C

[\*\*\*]

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [\*\*\*], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

## SCHEDULE D

[\*\*\*]



CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [\*\*\*], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

## SCHEDULE E

[\*\*\*]

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [\*\*\*], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

## SCHEDULE F

[\*\*\*]

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [\*\*\*], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

## SCHEDULE G

[\*\*\*]

AMENDMENT ONE TO  
PRODUCER AGREEMENT

This Amendment One, effective [\*\*\*] (the “Amendment Effective Date”), shall be attached to and form a part of the Producer Agreement dated [\*\*\*] (the “Agreement”) between **AMERICAN NATIONAL LLOYDS INSURANCE COMPANY**, a corporation organized under the laws of the State of Texas, and **ANPAC LOUISIANA INSURANCE COMPANY**, a corporation organized under the laws of the State of Louisiana (collectively, “American National”) and **LENDERS PROTECTION, LLC**, a limited liability company organized under the laws of the State of Texas with its principal place of business located at 1501 South Mopac Expressway, Suite 450, Austin, TX 78746 (“Lenders Protection”).

**WHEREAS**, American National and Lenders Protection desire to add American National Property And Casualty Company as a party to the Agreement.

**NOW THEREFORE**, American National and Lenders Protection agree as follows:

(1) American National Property And Casualty Company is added as a party to the Agreement and will share in all benefits and obligations of the Agreement.

(2) The Preamble of the Agreement is hereby deleted in its entirety and restated as follows:

**THIS PRODUCER AGREEMENT** (this “Agreement”), effective [\*\*\*] (the “Effective Date”), is entered into by and between **AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY**, a corporation organized under the laws of the State of Missouri, **AMERICAN NATIONAL LLOYDS INSURANCE COMPANY**, a corporation organized under the laws of the State of Texas, and **ANPAC LOUISIANA INSURANCE COMPANY**, a corporation organized under the laws of the State of Louisiana (collectively, “American National”), and **LENDERS PROTECTION, LLC**, a limited liability company organized under the laws of the State of Texas with its principal place of business located at 1501 South Mopac Expressway, Suite 450, Austin, TX 78746 (“Lenders Protection”).

(3) Section 2.2(i) of the Agreement is hereby deleted in its entirety and restated as follows:

(i) By Lenders Protection, upon [\*\*\*] days’ written notice, in the event that American National Property And Casualty Company, American National Lloyds Insurance Company, and ANPAC Louisiana Insurance Company fail to maintain an “A-” or better A.M. Best rating.

(4) Except as modified by the foregoing provisions, all other terms of the Agreement shall be and remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto by their respective duly authorized representatives have executed this Amendment One as of the Amendment Effective Date.

American National:

Lenders Protection

**American National Lloyds Insurance Company**  
**ANPAC Louisiana Insurance Company**

**Lenders Protection, LLC**

BY: \_\_\_\_\_

Name: James W. Pangburn  
Title: EVP, Specialty Markets Sales and Marketing (SVP of ANLIC)

BY: \_\_\_\_\_

Name: John Flynn  
Title: President

I, John Flynn, certify that:

- 1 I have reviewed this Quarterly Report on Form 10-Q of Open Lending Corporation;
- 2 Based on my knowledge, this report does 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 this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2021

/s/ John Flynn

John J. Flynn

Chairman and Chief Executive Officer  
(Principal Executive Officer)

I, Charles Jehl, certify that:

- 1 I have reviewed this Quarterly Report on Form 10-Q of Open Lending Corporation;
- 2 Based on my knowledge, this report does 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 this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2021

/s/ Charles Jehl

Charles D. Jehl

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Open Lending Corporation a Delaware corporation (the “Company”), on Form 10-Q for the fiscal quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), I, John Flynn, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

- (i) the Form 10-Q fully complies, in all material respects, with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John Flynn

\_\_\_\_\_  
John J. Flynn

Chairman and Chief Executive Officer  
(Principal Executive Officer)

Date: August 12, 2021

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Open Lending Corporation a Delaware corporation (the "Company") for the fiscal quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Charles Jehl, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

- (i) the Form 10-Q fully complies, in all material respects, with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Charles Jehl

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Charles D. Jehl

Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: August 12, 2021