

**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, 2022

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)

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 checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input 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 3, 2022, the registrant had 126,225,550 shares of common stock, \$0.01 par value per share, outstanding.

OPEN LENDING CORPORATION
FORM 10-Q
TABLE OF CONTENTS

	Page
PART I.	3
	3
Item 1.	3
	3
	4
	5
	6
	7
Item 2.	15
Item 3.	27
Item 4.	28
PART II.	29
Item 1.	29
Item 1A.	29
Item 2.	29
Item 3.	29
Item 4.	29
Item 5.	30
Item 6.	31
<u>SIGNATURES</u>	32

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 167,695	\$ 116,454
Restricted cash	3,412	3,055
Accounts receivable, net	6,960	6,525
Current contract assets, net	73,338	70,542
Income tax receivable	4,309	1,345
Other current assets	3,341	4,873
Total current assets	259,055	202,794
Property and equipment, net	2,791	2,663
Operating lease right-of-use assets, net	4,904	5,189
Non-current contract assets, net	33,410	42,414
Deferred tax asset, net	66,501	65,503
Other non-current assets	152	262
Total assets	\$ 366,813	\$ 318,825
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 421	\$ 1,285
Accrued expenses	6,105	3,984
Current portion of debt	3,906	3,125
Third-party claims administration liability	3,037	3,050
Other current liabilities	546	621
Total current liabilities	14,015	12,065
Long-term debt, net of deferred financing costs	140,959	143,135
Non-current operating lease liabilities	4,371	4,643
Total liabilities	\$ 159,345	\$ 159,843
Commitments and contingencies		
Stockholders' equity		
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 126,225,550 shares outstanding as of June 30, 2022 and 128,198,185 shares issued and 126,212,876 shares outstanding as of December 31, 2021	1,282	1,282
Additional paid-in capital	498,745	496,983
Accumulated deficit	(236,159)	(282,439)
Treasury stock at cost, 1,972,635 shares at June 30, 2022 and 1,985,309 at December 31, 2021, respectively	(56,400)	(56,844)
Total stockholders' equity	207,468	158,982
Total liabilities and stockholders' equity	\$ 366,813	\$ 318,825

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

OPEN LENDING CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited, in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue				
Profit share	\$ 29,157	\$ 38,842	\$ 57,467	\$ 66,572
Program fees	20,731	20,597	40,457	35,508
Claims administration and other service fees	2,156	1,686	4,188	3,053
Total revenue	52,044	61,125	102,112	105,133
Cost of services	5,085	4,140	9,873	7,502
Gross profit	46,959	56,985	92,239	97,631
Operating expenses				
General and administrative	7,968	8,381	15,450	16,593
Selling and marketing	3,994	2,954	7,727	5,351
Research and development	2,188	773	4,011	1,364
Total operating expenses	14,150	12,108	27,188	23,308
Operating income	32,809	44,877	65,051	74,323
Interest expense	(1,124)	(1,122)	(1,927)	(4,411)
Interest income	22	58	47	142
Gain on extinguishment of tax receivable agreement	—	55,422	—	55,422
Loss on extinguishment of debt	—	—	—	(8,778)
Other expense	—	(2)	—	(133)
Income before income taxes	31,707	99,233	63,171	116,565
Income tax expense	8,581	23,267	16,891	27,737
Net income	\$ 23,126	\$ 75,966	\$ 46,280	\$ 88,828
Net income per common share				
Basic	\$ 0.18	\$ 0.60	\$ 0.37	\$ 0.70
Diluted	\$ 0.18	\$ 0.60	\$ 0.37	\$ 0.70
Weighted average common shares outstanding				
Basic	126,221,689	126,230,752	126,218,710	126,515,343
Diluted	126,222,366	126,274,197	126,219,115	126,554,082

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
Balance as of December 31, 2021	128,198,185	\$ 1,282	\$ 496,983	\$ (282,439)	(1,985,309)	\$ (56,844)	\$ 158,982
Share-based compensation	—	—	1,281	—	—	—	1,281
Restricted stock units issued, net of shares withheld for taxes	—	—	(207)	—	5,079	168	(39)
Net income	—	—	—	23,154	—	—	23,154
Balance as of March 31, 2022	128,198,185	\$ 1,282	\$ 498,057	\$ (259,285)	(1,980,230)	\$ (56,676)	\$ 183,378
Share-based compensation	—	—	988	—	—	—	988
Restricted stock units issued, net of shares withheld for taxes	—	—	(300)	—	7,595	276	(24)
Net income	—	—	—	23,126	—	—	23,126
Balance as of June 30, 2022	128,198,185	\$ 1,282	\$ 498,745	\$ (236,159)	(1,972,635)	\$ (56,400)	\$ 207,468

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

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)

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities		
Net income	\$ 46,280	\$ 88,828
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	2,269	1,628
Depreciation and amortization	614	537
Non-cash operating lease cost	285	268
Gain on extinguishment of tax receivable agreement	—	(55,422)
Loss on extinguishment of debt	—	8,778
Deferred income taxes	(998)	16,903
Changes in assets & liabilities:		
Accounts receivable, net	(435)	(3,217)
Contract assets, net	6,208	(22,591)
Other current and non-current assets	1,477	(1,133)
Accounts payable	(885)	(1,455)
Accrued expenses	2,094	1,377
Income tax payable/receivable	(2,964)	(1,720)
Operating lease liabilities	(240)	(349)
Third-party claims administration liability	(13)	299
Other current and non-current liabilities	(105)	252
Net cash provided by operating activities	53,587	32,983
Cash flows from investing activities		
Purchase of property and equipment	(364)	(841)
Net cash used in investing activities	(364)	(841)
Cash flows from financing activities		
Proceeds from term loans	—	125,000
Proceeds from revolving facility	—	50,000
Payments on term loans	(1,562)	(167,628)
Payments on revolving facility	—	(25,000)
Payment of deferred financing costs	—	(1,669)
Shares withheld for taxes for restricted stock units	(63)	—
Settlement of tax receivable agreement	—	(36,948)
Share repurchase	—	(20,000)
Net cash used in financing activities	(1,625)	(76,245)
Net change in cash and cash equivalents and restricted cash	51,598	(44,103)
Cash and cash equivalents and restricted cash at the beginning of the period	119,509	104,148
Cash and cash equivalents and restricted cash at the end of the period	\$ 171,107	\$ 60,045
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,756	\$ 3,776
Income tax paid, net	20,853	12,452
Non-cash investing and financing:		
Internally developed software costs accrued but not paid	27	660
Property and equipment accrued but not paid	21	—

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 (individually or together with its subsidiaries, as the context requires, the “Company”), headquartered in Austin, Texas, provides loan analytics, risk-based loan pricing, risk modeling, and automated decision technology for automotive lenders throughout the United States (“U.S.”), 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 its 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.

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 U.S., and all of its revenues are attributable to U.S. customers.

Note 2—Summary of Significant Accounting and Reporting Policies

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 prior year amounts have been reclassified to conform to the Company’s current presentation. Such reclassifications had no effect on the Company’s previously reported net income, earnings per share, cash flows or retained earnings.

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 Securities and Exchange Commission (“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 be read in conjunction with its audited consolidated financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 (“Annual Report”).

The interim data includes all 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, 2022 are not necessarily indicative of the Company’s operating results for the entire fiscal year ending December 31, 2022.

Concentrations of revenue and credit risks

The Company’s three largest insurance carrier partners accounted for 38%, 11% and 11% of the Company’s total revenue during the three months ended June 30, 2022 and 38%, 13% and 10% during the six months ended June 30, 2022. The Company’s two largest insurance carriers accounted for 43% and 24% of the Company’s total revenue during the three months ended June 30, 2021 and accounted for 43% and 23% for the six months ended June 30, 2021. In the event that one or more of the Company’s significant insurance carriers terminates their relationship with the Company, it could have a material and adverse effect on the Company’s business and, in turn, its revenue. Financial instruments that potentially subject the Company

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

to credit risk consist of cash and cash equivalents, restricted cash, accounts receivable and contract assets 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. 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.

At June 30, 2022, the Company had one customer that individually accounted for 10% of the Company's net accounts receivable. At December 31, 2021, the Company had two customers that each represented 10% of the Company's net accounts receivable.

The Company does not have material accounts receivable or contract asset balances that are past due and has not written off any material balance in its portfolio for the periods presented. The allowance for expected credit losses on accounts receivable and contract assets receivable was less than \$0.2 million at June 30, 2022 and December 31, 2021.

Use of estimates and judgments

The preparation of condensed consolidated financial statements in conformity with 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 assets under Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606"), 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 default severity rates. These assumptions are based on the Company's 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 current mix of the underlying portfolio of our insurance partners. As a result of the changes in facts and circumstances and general market conditions for the three and six months ended June 30, 2022, management has accordingly adjusted these assumptions.

Recently issued but not yet adopted accounting pronouncements

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 has not experienced any unintended outcomes or consequences of reference rate reform that would necessitate the adoption of this guidance. The Company will not need to consider the application of this guidance related to its credit agreements as such agreements provide for a replacement rate when LIBOR is discontinued. The Company will continue to closely monitor all potential instances of reference rate reform to determine if the adoption of ASU 2020-04 becomes necessary in the future.

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

Note 3—Contract Assets

Changes in the Company’s contract assets primarily result from the timing difference between the satisfaction of its performance obligation and the customer’s payment. The Company fulfills its obligation under a contract with a customer by transferring services in exchange for consideration from the customer. The Company recognizes contract assets when it transfers services to a customer, recognizes profit share revenue, program fee revenue and claims administration services revenue (“TPA fees”) for amounts not yet billed, and the right to consideration is conditional on something other than the passage of time. Accounts receivable are recorded when the customer has been billed or the right to consideration is unconditional.

For performance obligations satisfied in previous periods, the Company evaluates and updates its profit share revenue forecast on a quarterly basis and adjusts contract assets accordingly. During the three and six months ended June 30, 2022, contract asset adjustments attributable to profit share revenue forecast were \$2.8 million and \$5.5 million, respectively, as compared to contract asset adjustments of \$11.8 million and \$16.9 million, during the three and six months ended June 30, 2021, respectively.

Contract assets balances for the periods indicated below are as follows:

	Contract Assets			
	Profit Share	TPA Fees	Program Fees	Total
	<i>(in thousands)</i>			
Ending balance as of March 31, 2022	\$ 100,008	\$ 1,360	\$ 6,084	\$ 107,452
Increase due to new business generation	26,333	2,155	20,731	49,219
Change in estimates of revenue from performance obligations satisfied in previous periods	2,824	—	—	2,824
Receivables transferred from contract assets upon billing the lending institutions	—	—	(20,178)	(20,178)
Payments received from insurance carriers	(30,496)	(2,078)	—	(32,574)
Provision for expected credit losses	3	—	2	5
Ending balance as of June 30, 2022	\$ 98,672	\$ 1,437	\$ 6,639	\$ 106,748

	Contract Assets			
	Profit Share	TPA Fees	Program Fees	Total
	<i>(in thousands)</i>			
Ending balance as of December 31, 2021	\$ 105,486	\$ 1,316	\$ 6,154	\$ 112,956
Increase due to new business generation	52,002	4,185	40,457	96,644
Change in estimates of revenue from performance obligations satisfied in previous periods	5,465	—	—	5,465
Receivables transferred from contract assets upon billing the lending institutions	—	—	(39,978)	(39,978)
Payments received from insurance carriers	(64,327)	(4,065)	—	(68,392)
Provision for expected credit losses	46	1	6	53
Ending balance as of June 30, 2022	\$ 98,672	\$ 1,437	\$ 6,639	\$ 106,748

As of June 30, 2022 and December 31, 2021, the portion of the contract assets’ balance estimated to be received within one year consisted of \$73.3 million and \$70.5 million, respectively, and the portion of estimated to be received beyond one year consisted of \$33.4 million and \$42.4 million, respectively.

Contract Costs

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

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

Note 4—Debt

Debt balances for the periods indicated below were as follows:

	June 30, 2022	December 31, 2021
	<i>(in thousands)</i>	
Revolving Facility, matures in 2026	\$ 25,000	\$ 25,000
Term Loan due 2026	121,094	122,656
Less: unamortized deferred financing costs	(1,229)	(1,396)
Total debt	144,865	146,260
Less: current portion of debt	(3,906)	(3,125)
Total long-term debt, net of deferred financing costs	\$ 140,959	\$ 143,135

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 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 consolidated statements of operations 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 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 the Company’s Funded Secured Debt/EBITDA ratio increase or decreases.

As of June 30, 2022, both the Term Loan due 2026 and the Revolving Facility are subject a LIBOR rate of 1.66% plus a spread of 1.75% per annum. Commitment fees were accrued at 0.20% under the Revolving Facility’s unused commitment balance of \$25.0 million at June 30, 2022.

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 \$1.2 million as of June 30, 2022. As of June 30, 2022, the weighted average effective interest rate on the Company’s outstanding borrowings was 3.64%.

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

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. 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, 2022, the Company was in compliance with all required covenants under the New Credit Agreement.

Note 5—Share-Based Compensation

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

The 2020 Plan, approved on June 9, 2020, 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 the number of shares of its common stock outstanding upon the Closing Date, as the “Initial Limit” for the issuance of awards under the 2020 Plan. The 2020 Plan provides that beginning on January 1, 2021, the number of shares reserved and available for issuance under the plan will automatically increase each January 1st by 4% of the outstanding number of shares of the Company’s common stock on the immediately preceding December 31st, 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, 2022, there were 18,801,465 shares reserved and available for issuance under the 2020 Plan, which includes the 4% annual increase in 2022 less restricted stock units, performance stock units and stock options granted under the 2020 Plan.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	<i>(in thousands)</i>			
Time-Based Restricted Stock Units	\$ 1,005	\$ 458	\$ 1,912	\$ 691
Performance-Based Restricted Stock Units	(195)	276	11	553
Stock Options	178	193	346	384
Total share-based compensation expense	\$ 988	\$ 927	\$ 2,269	\$ 1,628

For performance-based restricted units, the Company evaluates the probability of achieving performance goals on a quarterly basis and recognizes share based compensation to the extent achievement of performance goals is considered probable. During the three months ended June 30, 2022 the Company determined certain performance goals are improbable of being achieved and recorded a reduction to share-based compensation of \$0.3 million representing a change in estimate from previously reported share-based compensation. The Company evaluated the probability of achieving performance goals related to the performance-based restricted stock units awarded during the three months ended June 30, 2022, and determined that achievement of the performance goals is not probable, and accordingly, share-based compensation has not been recorded related to the awards.

During the three and six months ended June 30, 2022 and 2021, 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 award recipient in the accompanying condensed consolidated statements of operations as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	<i>(in thousands)</i>			
General and administrative	\$ 643	\$ 773	\$ 1,565	\$ 1,327
Selling and marketing	150	91	330	182
Research and development	111	34	206	62
Cost of services	84	29	168	57
Total	\$ 988	\$ 927	\$ 2,269	\$ 1,628

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

The following table provides information related to the Company's share-based compensation award activity for the six months ended June 30, 2022:

	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
Outstanding as of December 31, 2021	231,625	\$ 35.17	194,348	\$ 33.56	99,289	\$ 33.44
Granted	352,177	20.80	—	—	139,662	16.11
Vested	(17,691)	30.95	—	—	—	—
Forfeited or expired	(22,752)	23.32	(8,440)	33.56	(4,874)	33.44
Outstanding as of June 30, 2022	543,359	\$ 26.49	185,908	\$ 33.56	234,077	\$ 23.10

The following table reflects the future share-based compensation expense for the outstanding awards at June 30, 2022:

	Unrecognized Share-based Compensation Expense	Weighted Average Amortization Period
	<i>(in thousands)</i>	
Time-Based Restricted Stock Units	\$ 11,837	3.13 years
Performance-Based Restricted Stock Units	4,296	2.07 years
Stock Options	1,800	2.50 years
Total unrecognized share-based compensation expense	\$ 17,933	2.81 years

Note 6—Net Income per Share

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted net income 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, 2022 and 2021 were time-based restricted stock units. The potentially dilutive common shares during the same periods did not include unvested stock options and performance-based restricted stock units containing unmet performance conditions. The potentially dilutive common shares are included in the calculation of diluted net income per share only when their effect is dilutive.

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

The following table sets forth the computation of basic and diluted net income per share attributable to common stockholders for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<i>(in thousands, except shares and per share data)</i>				
Basic net income per share:				
Numerator				
Net income attributable to common stockholders	\$ 23,126	\$ 75,966	\$ 46,280	\$ 88,828
Denominator				
Weighted average common shares	126,221,689	126,230,752	126,218,710	126,515,343
Basic net income per share attributable to common stockholders	\$ 0.18	\$ 0.60	\$ 0.37	\$ 0.70
Diluted net income per share:				
Numerator				
Net income attributable to common stockholders	\$ 23,126	\$ 75,966	\$ 46,280	\$ 88,828
Denominator				
Basic weighted average common shares	126,221,689	126,230,752	126,218,710	126,515,343
Dilutive effect of outstanding Time-Based Restricted Stock Units	677	43,445	405	38,739
Diluted weighted average common shares	126,222,366	126,274,197	126,219,115	126,554,082
Diluted net income per share attributable to common stockholders	\$ 0.18	\$ 0.60	\$ 0.37	\$ 0.70

The following potentially dilutive outstanding securities as of June 30, 2022 and 2021 were excluded from the computation of diluted net income 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 that were not satisfied by the end of the periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Unvested Time-Based Restricted Stock Units	543,359	—	543,359	—
Unvested Performance-Based Restricted Stock Units	234,077	99,289	234,077	99,289
Unvested and not exercised Stock Options	185,908	199,764	185,908	199,764
Total	963,344	299,053	963,344	299,053

Note 7—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 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.

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

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, net of deferred financing costs at June 30, 2022 and December 31, 2021:

Carrying value	Fair value measurement at June 30, 2022		
	Level 1	Level 2	Level 3
<i>(in thousands)</i>			
Liabilities:			
Debt at fair value	\$ 144,865	\$ —	\$ 144,865
Total	\$ 144,865	\$ —	\$ 144,865

Carrying value	Fair value measurement at December 31, 2021		
	Level 1	Level 2	Level 3
<i>(in thousands)</i>			
Liabilities:			
Debt at fair value	\$ 146,260	\$ —	\$ 146,260
Total	\$ 146,260	\$ —	\$ 146,260

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, 2022 and December 31, 2021.

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

Note 8—Income Taxes

During the three and six months ended June 30, 2022, the Company recognized income tax expense of \$8.6 million and \$16.9 million, respectively, as compared to income tax expense of \$23.3 million and \$27.7 million, respectively, during the three and six months ended June 30, 2021. The effective tax rate for the three and six months ended June 30, 2022 was 27.1% and 26.7%, respectively, as compared to 23.4% and 23.8%, respectively during the three and six months ended June 30, 2021. The Company's income tax expense for the three and six months ended June 30, 2022 and June 30, 2021 differs from amounts computed by applying the U.S. federal statutory tax rate of 21% primarily due to state income tax expenses and the officer's compensation limitation under Section 162m.

As of June 30, 2022, the Company has assessed whether it is more likely than not that its 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, 2022.

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, 2022 or for any open tax years. When applicable, tax penalties and interest are recognized within general and administrative expenses in the condensed consolidated statements of operations. The Company has not recorded any penalties or interest related to uncertain tax positions as of June 30, 2022 or for any open tax years.

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

The following discussion and analysis provides information that 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, 2021. 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. 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 our top ten automotive lenders relative to that of other automotive lenders, and associated concentration of risks;
- the costs of services in absolute dollars and as a percentage of 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 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 our growth as a result of demands on our operational, marketing, compliance and accounting infrastructure;
- regulatory agreements between us and state agencies regarding issues including automotive lender conduct and oversight and loan pricing;
- changes in applicable laws or regulations;
- applicable taxes, inflation, supply chain disruptions, including global hostilities and responses thereto, interest rates and the regulatory environment; and
- the effects of the ongoing COVID-19 pandemic on our business.

All forward-looking statements are based on information and estimates available to us 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. 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 Original Equipment Manufacturers. 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 approximately \$16.0 billion in automotive loans, accumulating over 20 years of proprietary data and developing over two million unique risk profiles.

We specialize in risk-based pricing and modeling and provide automated decision-technology for automotive lenders throughout the U.S. 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 over 20 years. We believe LPP provides significant benefits to our growing ecosystem of automotive lenders, automobile dealers, borrowers 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 origination market is estimated at \$270 billion annually. We are currently serving less than 2% of this market, providing a significant growth opportunity. In addition, our market opportunity related to the refinancing of near-prime and non-prime automotive loans is estimated at \$40 billion annually.

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 44,531 and 88,475 certified loans during the three and six months ended June 30, 2022, respectively, as compared to 46,408 and 79,726 certified loans during the same periods in 2021, respectively.

Total revenue was \$52.0 million and \$102.1 million for the three and six months ended June 30, 2022, respectively, as compared to \$61.1 million and \$105.1 million, respectively, during the same periods in 2021.

Operating income was \$32.8 million and \$65.1 million for the three and six months ended June 30, 2022, respectively, as compared to \$44.9 million and \$74.3 million, respectively, in same periods in 2021.

Net income was \$23.1 million and \$46.3 million for the three and six months ended June 30, 2022, respectively, as compared to net income of \$76.0 million and \$88.8 million, respectively, for the same periods in 2021.

Adjusted EBITDA was \$34.0 million and \$67.8 million for the three and six months ended June 30, 2022, respectively, as compared to \$46.1 million and \$76.3 million, respectively, during the same periods in 2021. Information regarding use of Adjusted EBITDA, a non-GAAP measure, and a reconciliation of Adjusted EBITDA to net income, the most comparable GAAP measure, is included in "*Non-GAAP Financial Measures*."

Highlights

The table below summarizes all loans certified by lenders during the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Certified loans	44,531	46,408	88,475	79,726
Value of insured loans facilitated (in thousands)	\$ 1,293,525	\$ 1,170,461	\$ 2,475,898	\$ 1,950,822
Average loan size per certified loan	\$ 29,043	\$ 25,221	\$ 27,984	\$ 24,469
Number of contracts signed with automotive lenders	18	22	36	36

Historically, we have defined active lenders as certifying at least one loan during the preceding 12 months. As of June 30, 2022 and 2021, we had 414 and 380 active lenders, respectively. The table below represents lender count information for lenders with certified loan activity during the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Lenders certifying loans at the beginning of the period	377	328	396	354
New lenders (1)	10	20	31	33
Net change in lenders (2)	(16)	—	(31)	(25)
Lenders certifying loans at the end of the period	371	348	396	362

(1) New lenders using LPP to certify loans for the first time during the period.

(2) Net change in the number of lenders previously onboarded and using LPP to certify loans during the period. Certain lenders experience periods of inactivity followed by periods of activity, causing the lender count to fluctuate from period to 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 such metrics are used to measure and model the performance of companies such as ours, 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 program fee payment as “single-pay” loans. For certain loans, the program fee is paid to us over 12 monthly installments and we refer to these loans 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’ Underwriting Profit

We define “insurers’ 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 \$70.9 million and \$138.1 million, respectively, for the three and six months ended June 30, 2022 and \$53.9 million and \$100.6 million for the same periods in 2021, respectively.

Recent Developments

Fourth Insurance Carrier Partner

On May 2, 2022, we signed a program management agreement with a fourth insurance carrier partner, Arch Specialty Insurance Company, a part of Arch Capital Group Ltd., who will act as an additional provider of credit default insurance policies for LPP, from which we can earn profit share revenue and claims administration fees.

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 Active Automotive Lenders

The growth trend in active automotive lenders using LPP is a critical factor 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 and add new automotive lenders.

Competition

We face competition to acquire and maintain automotive lenders as customers, as well as competition to facilitate the funding of 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 lender 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.

Profit Share Assumptions

We rely on assumptions to calculate the value of profit share revenue, which is our share of insurance partners’ underwriting profit. For example, positive change in estimates associated with 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. To the extent these assumptions change, our profit share revenue will be adjusted. Please refer to [“Critical Accounting Policies and Estimates”](#) for more information on these assumptions.

Industry Trends and General Economic Conditions

Our results of operations 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 inflation, interest rate levels, changes in monetary and related policies, market volatility, supply chain disruptions, consumer confidence, the impact of the pandemic and, particularly, the unemployment rate also influence consumer spending and borrowing patterns.

Concentration

Our three largest insurance carrier partners accounted for 38%, 11% and 11% of our total revenue during the three months ended June 30, 2022, and 38%, 13% and 10% during the six months ended June 30, 2022. Our two largest insurance carriers accounted for 43% and 24% of the Company's total revenue during the three months ended June 30, 2021, and accounted for 43% and 23% for the six months ended June 30, 2021. Termination or disruption of these relationships could materially and adversely impact our revenue.

Components of Results of Operations

Total Revenues

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

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.

Program fees. Program fees are paid by automotive lenders for the use of LPP, which provides loan analytics solutions and automated issuance of credit default insurance with third-party insurance providers. 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 with fees generally capped at \$600 per loan. This cap may vary for certain large volume lenders. For monthly pay loans, the fee paid by the lender is a flat 3% of the total amount of the loan and is not capped.

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 partners 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, fees for integration with loan origination systems of automotive lenders and fees paid to credit bureaus and data service providers for credit applicant data. In the near to intermediate term, we generally expect cost of services to increase as a percentage of our program fee revenue as we continue to expand our third-party partner relationships.

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, data and software expenses and professional and consulting fees. In the near to intermediate term, we expect general and administrative expenses to remain relatively constant.

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 as a percentage of our program fee revenue in the near to immediate term as we continue to expand our sales and marketing team.

Research and development expenses. Research and development expenses primarily consist of employee compensation and benefits expenses for employees engaged in ongoing research and development of our software technology platform. We generally expect our research and development costs 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.

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.

Results of Operations

The following table sets forth our results of operations for the periods indicated:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
(\$ in thousands)						
Revenue						
Profit share	\$ 29,157	\$ 38,842	(25) %	\$ 57,467	\$ 66,572	(14) %
Program fees	20,731	20,597	1 %	40,457	35,508	14 %
Claims administration and other service fees	2,156	1,686	28 %	4,188	3,053	37 %
Total revenue	52,044	61,125	(15) %	102,112	105,133	(3) %
Cost of services	5,085	4,140	23 %	9,873	7,502	32 %
Gross profit	46,959	56,985	(18) %	92,239	97,631	(6) %
Operating expenses						
General and administrative	7,968	8,381	(5) %	15,450	16,593	(7) %
Selling and marketing	3,994	2,954	35 %	7,727	5,351	44 %
Research and development	2,188	773	183 %	4,011	1,364	194 %
Total operating expenses	14,150	12,108	17 %	27,188	23,308	17 %
Operating income	32,809	44,877	(27) %	65,051	74,323	(12) %
Interest expense	(1,124)	(1,122)	— %	(1,927)	(4,411)	(56) %
Interest income	22	58	(62) %	47	142	(67) %
Gain on extinguishment of tax receivable agreement	—	55,422	(100) %	—	55,422	(100) %
Loss on extinguishment of debt	—	—	— %	—	(8,778)	(100) %
Other expense	—	(2)	(100) %	—	(133)	(100) %
Income before income taxes	31,707	99,233	(68) %	63,171	116,565	(46) %
Income tax expense	8,581	23,267	(63) %	16,891	27,737	(39) %
Net income	\$ 23,126	\$ 75,966	(70) %	\$ 46,280	\$ 88,828	(48) %

Key Performance Measures

The following table sets forth key performance measures for the periods indicated:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Certified loans	44,531	46,408	(4) %	88,475	79,726	11 %
Single-pay	39,526	41,156	(4) %	79,087	70,098	13 %
Monthly-pay	5,005	5,252	(5) %	9,388	9,628	(2) %
Average program fees	\$ 466	\$ 444	5 %	\$ 457	\$ 445	3 %
Single-pay	\$ 427	\$ 415	3 %	\$ 423	\$ 416	2 %
Monthly-pay	\$ 768	\$ 673	14 %	\$ 743	\$ 660	13 %

Comparison of Three and Six Months Ended June 30, 2022 and 2021
Revenue

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	<i>(in thousands)</i>			
Profit share				
New certified loan originations	\$ 26,333	\$ 27,017	\$ 52,002	\$ 49,673
Change in estimated future revenues	2,824	11,825	5,465	16,899
Total profit share	29,157	38,842	57,467	66,572
Program fees	20,731	20,597	40,457	35,508
Claims administration and other service fees	2,156	1,686	4,188	3,053
Total revenue	\$ 52,044	\$ 61,125	\$ 102,112	\$ 105,133

Total revenue decreased by \$9.1 million, or 15%, during the three months ended June 30, 2022, as compared to the same period last year, driven primarily by a \$9.0 million decrease in estimated future revenue on loans originated in historic vintages associated with changes in expected portfolio performance between periods.

Total revenue decreased by \$3.0 million, or 3%, during the six months ended June 30, 2022, as compared to the same period in 2021, driven primarily by the \$11.4 million decrease in estimated future revenue on loans originated in historic vintages associated with changes in expected portfolio performance between periods and offset by the \$2.3 million increase in anticipated profit share associated with new certified loan originations, as well as a \$4.9 million increase in program fees and a \$1.1 million increase in claims administration service fees as compared to the same period in 2021.

Profit share revenue decreased by \$9.7 million and \$9.1 million, or 25% and 14%, during the three and six months ended June 30, 2022, respectively, as compared to the same periods in 2021. During the three months ended June 30, 2022, we recorded \$26.3 million in anticipated profit share associated with 44,531 certified loans for an average of \$591 per loan as compared to \$27.0 million in anticipated profit share associated with 46,408 certified loans for an average of \$582 per loan during the three months ended June 30, 2021. During the six months ended June 30, 2022, we recorded \$52.0 million in anticipated profit share associated with 88,475 certified loans for an average of \$588 per loan as compared to \$49.7 million in anticipated profit share associated with 79,726 certified loans for an average of \$623 per loan during the six months ended June 30, 2021.

In addition, during the three and six months ended June 30, 2022, we recorded \$2.8 million and \$5.5 million, respectively, in estimated future revenue on business in historic vintages as a result of lower than anticipated claims and severity of losses, as compared to \$11.8 million and \$16.9 million in estimated future revenue on business in historic vintages during the three and six months ended June 30, 2021, respectively.

Program fees revenue increased by \$0.1 million and \$4.9 million or 1% and 14%, for the three and six months ended June 30, 2022, respectively, as compared to the same periods in 2021. The increase in program fee revenue for the three months ended June 30, 2022 was driven by higher unit economics per certified loan, offset by a 4% decrease in certified loan volume, as compared to the prior year period. The increase in program fee revenue for the six months ended June 30, 2022 was driven by an 11% increase in certified loan volumes and by higher unit economics per certified loan, as compared to the prior year period.

Revenue from claims administration and other service fees, which primarily represents 3% of our insurance partners' annual earned premium, increased by \$0.5 million and \$1.1 million, or 28% and 37% for the three and six months ended June 30, 2022, as compared to the same periods in the prior year, due to 32% and 37% increases in total earned premiums.

Cost of Services, Gross Profit and Gross Margin

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(\$ in thousands)			
Total revenue	\$ 52,044	\$ 61,125	\$ 102,112	\$ 105,133
Cost of services	5,085	4,140	9,873	7,502
Gross profit	\$ 46,959	\$ 56,985	\$ 92,239	\$ 97,631
Gross margin	90 %	93 %	90 %	93 %

Cost of services increased by \$1.0 million, or 23%, and \$2.3 million, or 32%, during the three and six months ended June 30, 2022, respectively, as compared to the same periods in the prior year, primarily due to increases in employee compensation costs associated with the growth of our implementation and claims administration organizations, increases in fees paid to third party partners for lead-generation efforts, increases in actuarial fees, and increases in credit applicant data fees.

Gross profit decreased by \$10.0 million, or 18%, during the three months ended June 30, 2022, as compared to the same period in 2021, driven primarily by a decrease in anticipated profit share on historic business as discussed above. Gross profit decreased by \$5.4 million, or 6%, during the six months ended June 30, 2022, as compared to the same period in 2021, driven primarily by a decrease in anticipated profit share on historic business as discussed above, partially offset by increases in program fees and claims administration service fees.

Operating Expenses, Operating Income and Operating Margin

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(\$ in thousands)			
Total revenue	\$ 52,044	\$ 61,125	\$ 102,112	\$ 105,133
Gross profit	46,959	56,985	92,239	97,631
Operating expenses				
General and administrative	7,968	8,381	15,450	16,593
Selling and marketing	3,994	2,954	7,727	5,351
Research and development	2,188	773	4,011	1,364
Total operating expenses	14,150	12,108	27,188	23,308
Operating income	\$ 32,809	\$ 44,877	\$ 65,051	\$ 74,323
Operating margin	63 %	73 %	64 %	71 %

General and administrative expenses decreased by \$0.4 million, or 5%, during the three months ended June 30, 2022 as compared to the same period last year, driven primarily by decreases in performance-based employee compensation expenses. General and administrative expenses decreased by \$1.1 million, or 7%, during the six months ended June 30, 2022, as compared to the same period last year, driven primarily by \$1.3 million of decreases in professional fees as we reduce our reliance on outside consultants in conducting financial reporting and compliance functions, and partially offset by \$0.4 million in increased travel expenses associated with the lifting of related restrictions.

Selling and marketing expenses increased by \$1.0 million, or 35%, during the three months ended June 30, 2022, as compared to the same period last year, driven primarily by increases in travel and business development associated with increased levels of activity as a result of the lifting of related restrictions. Selling and marketing expenses increased by \$2.4 million, or 44%, during the six months ended June 30, 2022, as compared to the prior year period, primarily due to an increase in employee compensation and recruiting costs associated with the growth of our sales and marketing organization, as well as increases in expenses related to travel and business development associated with increased levels of activity as a result of the lifting of related restrictions.

Research and development expenses increased by \$1.4 million, or 183%, and \$2.6 million, or 194%, during the three and six months ended June 30, 2022, respectively, as compared to the same periods in the prior year, primarily due to increases in employee compensation costs associated with the growth of our research and development organization to support continued enhancements to our flagship product.

Operating income decreased by \$12.1 million, or 27%, for the three months ended June 30, 2022, as compared to the prior year period, primarily driven by decreased estimated profit share on historic business, as well as increases in cost of services, and operating expenses related to selling and marketing and research and development as discussed above.

Operating income decreased by \$9.3 million, or 12%, for the six months ended June 30, 2022, as compared to the prior year period, primarily driven by a decrease in estimated profit share on historic business as well as increases in cost of services and operating expenses, offset by increases in anticipated profit share associated with new certified loan originations as well as increases in program fees and claims administration service fees.

Interest Expense

During the three and six months ended June 30, 2022, interest expense was \$1.1 million and \$1.9 million, respectively, as compared to \$1.1 million and \$4.4 million during the three and six months ended June 30, 2021, respectively. Interest expense decreased \$2.5 million or 56% for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021, as a result of lower borrowing costs and lower outstanding debt balances during 2022.

Income Taxes

During the three and six months ended June 30, 2022, we recognized income tax expense of \$8.6 million and \$16.9 million, respectively, as compared to \$23.3 million and \$27.7 million for the same periods in 2021. The effective tax rate for the three and six months ended June 30, 2022 was 27.1% and 26.7%, respectively, as compared to an effective tax rate of 23.4% and 23.8%, respectively, for the same periods in 2021. Income tax expense decreased \$14.7 million, or 63% and \$10.8 million, or 39% during the three and six ended June 30, 2022, respectively, as compared to the same periods in 2021, primarily as a result of the 68% and 46% decrease in income before income taxes offset by an increase in the effective tax rate.

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. We believe that our existing cash resources and revolving credit facility will provide sufficient liquidity to fund our near-term working capital needs. We regularly evaluate alternatives for managing our capital structure and liquidity profile in consideration of expected cash flows, growth and operating capital requirements and capital market conditions. Refer to “Critical Accounting Policies and Estimates” in this Quarterly Report on Form 10-Q and our Annual Report for a full description of the related estimates, assumptions, and judgments.

Based on our assessment of the underlying provisions and circumstances of our contractual obligations, other than the risks that we and other similarly situated companies face with respect to the condition of the capital markets (as described in “Risk Factors” in our Annual Report), there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur that would have a material adverse effect on our consolidated results of operations, financial condition, or liquidity.

The following table provides a summary of cash flow data:

	Six Months Ended June 30,	
	2022	2021
	<i>(in thousands)</i>	
Net cash provided by operating activities	\$ 53,587	\$ 32,983
Net cash used in investing activities	(364)	(841)
Net cash used in financing activities	(1,625)	(76,245)

Cash Flows from Operating Activities

Our cash flows provided by operating activities reflect net income adjusted for certain non-cash items and changes in operating assets and liabilities.

The following table summarizes the non-cash adjustments in the operating activities in the statement of cash flows:

	Six Months Ended June 30,	
	2022	2021
	<i>(in thousands)</i>	
Net income	\$ 46,280	\$ 88,828
Deferred income taxes and other non-cash expenses	2,170	19,336
Non-cash losses	—	(46,644)
Change in contract assets	6,208	(22,591)
Change in other assets and liabilities	(1,071)	(5,946)
Net cash provided by operating activities	\$ 53,587	\$ 32,983

Net cash provided by operating activities for the six months ended June 30, 2022 is primarily attributable to operating income increased by the net change in contract assets, other assets and liabilities and reduced by income taxes paid. The increase in net cash provided by operating activities of \$20.6 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021, was primarily attributable to higher profit share payments from insurance carriers and increased cash inflows from program fees related to higher certified loan volume.

Cash Flows from Investing Activities

For the six months ended June 30, 2022 and 2021, net cash used in investing activities was \$0.4 million and \$0.8 million, respectively. For the six months ended June 30, 2022 and 2021, the investments primarily related to computer software developed for internal use.

Cash Flows from Financing Activities

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

For the six months ended June 30, 2022, net cash used in financing activities was \$1.6 million and is related to principal payments of our Term Loan due 2026.

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 by \$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.

Debt

As of June 30, 2022, we had outstanding amounts of \$121.1 million related to the Term Loan due 2026 and \$25.0 million related to 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.

Dividend

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

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, these measures 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 excluding interest expense, income taxes, depreciation and amortization expense, share-based compensation expense, gain on extinguishment of tax receivable agreement and loss on extinguishment of debt. 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 to Adjusted EBITDA for the periods indicated:

Adjusted EBITDA	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	<i>(in thousands)</i>			
Net income	\$ 23,126	\$ 75,966	\$ 46,280	\$ 88,828
Non-GAAP adjustments:				
Interest expense	1,124	1,122	1,927	4,411
Income tax expense	8,581	23,267	16,891	27,737
Depreciation and amortization expense	226	196	447	389
Share-based compensation expense	988	927	2,269	1,628
Gain on extinguishment of tax receivable agreement	—	(55,422)	—	(55,422)
Loss on extinguishment of debt	—	—	—	8,778
Total adjustments	10,919	(29,910)	21,534	(12,479)
Adjusted EBITDA	34,045	46,056	67,814	76,349
Total revenue	\$ 52,044	\$ 61,125	\$ 102,112	\$ 105,133
Adjusted EBITDA margin	65 %	75 %	66 %	73 %

For the three and six months ended June 30, 2022, Adjusted EBITDA decreased by \$12.0 million, or 26% and \$8.5 million, or 11%, respectively, as compared to the same periods in 2021. The decrease in Adjusted EBITDA during the three and six months ended June 30, 2022 reflects the decrease in operating income primarily driven by the decrease in estimated future revenues on historical vintages.

Critical Accounting Policies and Estimates

There have not been any material changes during the three and six months ended June 30, 2022 to the methodology applied by management for critical accounting policies previously disclosed in our Annual Report. Please refer to “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 for further description of our critical accounting policies and estimates.

Contractual Obligations

We had no material changes in our contractual commitments and obligations during the three and six months ended June 30, 2022 from the amounts listed under “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations” in our Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our operations include activities in the U.S. 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. Consumer spending and borrowing patterns related to auto purchases are influenced by economic factors such as unemployment rates, inflation, interest rate levels, changes in monetary and related policies, market volatility, and overall consumer confidence. 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

We rely on our three largest insurance partners for a significant portion of our profit share and claims administration service fee revenue. Termination or disruption of these relationships could materially and adversely impact our revenue.

Interest Rate Risk

As of June 30, 2022, we had outstanding amounts of \$121.1 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 13a-15(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 our 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(f) or 15d-15(f) 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 our 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, 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 global economic impacts of Russia’s invasion of Ukraine could adversely affect our business, financial condition or operating results.

Russia’s invasion of Ukraine and the resulting economic sanctions imposed by the international community have impacted the global economy, particularly with respect to shortages in materials and increased costs for transportation and energy. These events have disrupted and may continue to disrupt the supply chains of Original Equipment Manufacturers and their captive finance companies, which may lead to fewer vehicles being produced, fewer automotive loans overall and diminished demand for LPP. The invasion of Ukraine by Russia also could lead to other supply chain disruptions, increased inflationary pressures, and volatility in global markets and industries that could negatively impact our operations. Furthermore, the potential for retaliatory acts of cyberwarfare from Russia against U.S. companies in response to increasing sanctions on Russia could result in increased cyber-attacks against us. The impact of any one or more of these or other factors could adversely affect our business, financial condition or operating results, and the effects of the ongoing conflict in Ukraine could heighten many of our known risks described in Part I, Item 1A, “Risk Factors” in our Annual Report.

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, 2022.

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs
4/1/2022-4/30/2022	—	—	—	—
5/1/2022-5/31/2022	1,684	\$ 14.20	—	—
6/1/2022-6/30/2022	—	—	—	—
Total	1,684	\$ 14.20	—	—

(1) Consists of shares purchased from employees to satisfy tax withholding obligations related to share-based awards that vested during the period.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Number	Description
10.1Ø ØØ	Program Management Agreement dated May 2, 2022 by and between Arch Specialty Insurance Company and Lenders Protection, LLC.
31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)
101*	The following financial statements from Open Lending Corporation’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets (ii) Condensed Consolidated Statement of Operations (iii) Condensed Consolidated Statements of Stockholder’s Equity (iv) Condensed Consolidated Statements of Cash Flows (v) Notes to Condensed Consolidated Financial Statements
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).
Ø	Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.
ØØ	Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company undertakes to furnish supplemental copies of any of the omitted schedules to the SEC upon request.
*	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 5, 2022

CERTAIN IDENTIFIED INFORMATION MARKED WITH “[*]” HAS BEEN OMITTED FROM THIS DOCUMENT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.**

PROGRAM MANAGEMENT AGREEMENT

THIS PROGRAM MANAGEMENT AGREEMENT (this “Agreement”) is effective as of [***] (the “Effective Date”) by and between **ARCH SPECIALTY INSURANCE COMPANY**, a corporation organized under the laws of the state of Missouri with its principal place of business located at 2345 Grand Boulevard, Suite 900, Kansas City, Missouri 64108 (“Arch”), 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 the Program to commercialize the Software Platform which facilitates the issuance of credit default insurance in connection with certain risks associated 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, Arch agrees to enter into a separate agreement with the Surplus Lines Broker (defined herein) who will offer the Policy (defined herein) to financial institutions in connection with the Program; and

WHEREAS, Lenders Protection intends to source and produce business through the Surplus Lines Broker under the Program as a subagent therefore; and

WHEREAS, Arch agrees to cause a Policy to be issued to financial institutions that enter into a Program Agreement (defined herein) and otherwise satisfies the requirements of Section 4.1 hereof; and

WHEREAS, Arch shall cause each Insurer (as defined herein) to 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, Arch 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 promises and the mutual agreements hereinafter set forth, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, and intending to be legally bound, Arch and Lenders Protection hereby 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 permitted 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. 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 April 30, 2027 (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 one (1) year each (each a “Renewal Term”), unless either Party provides the other with written notice of termination at least one hundred and eighty (180) 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) Arch may terminate this Agreement upon written notice to Lenders Protection in the event that the SLB Agreement (as hereinafter defined) is terminated by Arch as a result of the Surplus Lines Broker's failure to remit payment associated with the Policy as required under the SLB Agreement; provided, however, that prior to such termination Arch agrees to work in good faith with the Surplus Lines Broker (and to involve Lenders Protection if it so requests to be involved) to (i) secure payment by Surplus Lines Broker for any such unpaid amounts within a timeframe reasonable to Arch and (ii) identify, and implement a reasonable plan, strategy or "work-around" to avoid any future interruptions caused by the Surplus Lines Broker's failure to remit payment;

(d) by Arch after [***] days' written notice of termination to Lenders Protection in the event of a breach by Lenders Protection of any material term of this Agreement; provided, however, Lenders Protection shall have the right to cure such breach within [***] days after Arch's delivery of such written notice. The Parties agree that if Lenders Protection reasonably cures such breach or default, Arch's notice of termination shall be deemed withdrawn and be of no further force or effect;

(e) by Lenders Protection after [***] days' written notice of termination to Arch in the event of default or breach by Arch of any material term of this Agreement; provided, however, Arch shall have the right to cure such breach or default within [***] days after Lenders Protection's delivery of such written notice. The Parties agree that if Arch reasonably cures such breach or default Lenders Protection's notice of termination shall be deemed withdrawn and be of no further force or effect;

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

(g) by Arch after [***] days' written notice of termination to Lenders Protection if any Problematic Change of Control of Lenders Protection occurs, which shall not be unreasonably withheld, conditioned or delayed;

(h) immediately by Arch 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 material services required under this Agreement, and such default, if curable, is not cured within [***] days following notice of such occurrence. Notwithstanding the foregoing, the Parties shall adhere to any Governmental Authority's requirements with regard to the offering of such Policies in the affected jurisdictions;

(i) by Lenders Protection, upon notice, in the event that any Insurer actively issuing the Policies (as assigned by Arch) as of the date of measurement, shall fail to maintain an "A-" or better A.M. Best rating;

(j) by Lenders Protection or Arch, as applicable and upon notice, in accordance with Section 3.1 or Section 5.5;

(k) by Lenders Protection, upon notice, at any time after Arch has breached Arch's Non- Competition Commitment;

(l) Immediately by Arch or Lenders Protection in the event of fraud or willful misconduct on the part of such other party related to obligations arising from this Agreement; and

(m) by Lenders Protection, upon notice, at any time after Arch tenders notice of its intent to Compete with Lenders Protection.

Section 2.3 Conduct After Termination. Upon any termination or expiration of this Agreement:

(a) Except as otherwise expressly provided herein, Arch 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 current term of all Policies and likewise until all scheduled 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 Arch through the Program. Additionally, upon termination or expiration 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 Arch. 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.

(c) In the event this Agreement is terminated or expired, Arch shall work in good faith following such termination or expiration date (and shall cause all applicable Insurers to work in good faith) 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 hereby) continues with the least amount of delay, interference, cost, disruption or other operational inefficiency.

ARTICLE 3

PROTECTION OF BUSINESS INTERESTS

Section 3.1 Protection of Lenders Protection.

(a) Arch 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 Arch (and its Affiliates) and, as a result, Arch 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, Arch agrees subject to Section 3.1(e) below, (i) not to, directly or indirectly, provide or promote credit default insurance to any Directly Competitive Business of Lenders Protection (or to any Person that services a Directly Competitive Business of Lenders Protection) and (ii) not to directly or indirectly, 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 Arch 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 (sole or partial) of evading the restrictions herein. In the event that Arch 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 Arch; provided, that, such notice to terminate is given to Arch by Lenders Protection within said [***] period. Arch represents and warrants that, as of the Effective Date, it does not own, operate or control (nor is it evaluating the ownership, operation or control), either directly or indirectly, of an Indirectly Competitive Business.

(c) Arch acknowledges and agrees that the restrictions imposed upon it under this Section 3.1 (collectively, "Arch'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 Arch'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 Arch. The Parties intend that Arch'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. Arch agrees that, in the event of any breach or threatened breach of Arch's Non-Competition Commitment, Lenders Protection will not have an adequate remedy in monetary damages; therefore Arch agrees that, in such event, Lenders Protection shall be entitled to obtain injunctive relief, without bond, and without the necessity of proof of actual damages, against any such actual or threatened breach in any court of competent jurisdiction. Such right of 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 Arch directly or indirectly breaches Arch's Non-Competition Commitment, the Non-Compete Period applicable to Arch 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 [***]. The obligations under and referred to in this Section 3.1 shall survive the expiration or termination of this Agreement.

(d) For purposes of absolute clarity, the Parties acknowledge and agree that, for purposes of this Agreement, "indirect" actions include, without limitation, facilitating any third party to do or accomplish the referenced act.

(e) The Parties agree that the terms of Section 3.1 shall not apply if, in any calendar year during the Term starting with [***] and thereafter, the Policy does not attach a number of Insured Loans written in that same applicable calendar year that is projected by Arch in good faith to result in an estimated ultimate premium of [***] (the "Minimum Production") arising from said Insured Loans and collected in due course by Arch.

For purposes of absolute clarity, the Parties acknowledge and agree that, in the event the Policy does not attach the requisite number of Insured Loans necessary to meet the Minimum Production in any calendar year during the Term starting in [***], Section 3.1 will not apply for the remainder of the Term. Arch will provide [***] days' notice of its intent to compete prior to actually engaging in activities that Compete with Lenders Protection.

(f) Notwithstanding any other statement to the contrary in this Agreement the SLB Agreement (as hereinafter defined) or the [***] referenced in Section 4.6 , Lenders Protection acknowledges that:

(i) Each calendar year starting in [***] and thereafter during the Term, the estimated ultimate premium projected by Arch to be remitted in due course to Arch resulting from the attachment of Insured Loans in an applicable calendar year to the Policy shall not exceed [***], unless otherwise approved or waived in writing by Arch; and

(ii) Arch has affiliated entities who engage in the business of credit default insurance applicable to products in the mortgage industry, and that such business is not, and shall not be considered by Lenders Protection to be, in any way competitive with the business contemplated under this Agreement and in no way a violation of Arch's Non-Competition Commitment.

Section 3.2 Rights in Connection with New Products.

(a) During the Non-Compete Period, Lenders Protection agrees that prior to the time that it begins to commercially offer New Products, it may provide Arch, 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 Arch 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 Arch 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 Arch, which such selection is at the sole and absolute discretion of Lenders Protection, then Lenders Protection shall negotiate reasonably and in good faith with Arch (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, Arch acknowledges that, except as provided in this Section 3.2, Lenders Protection has not provided Arch any rights of participation in connection with the commercialization of new Products. Lenders Protection acknowledges that Arch 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 Arch from developing or having developed for its products, concepts, systems or technologies that are similar to or compete with new Products provided that Arch does not violate any of its obligations under this Agreement (or any other agreement between the Parties) in connection therewith.

Arch may, at its option and in its discretion, provide Lenders Protection with written notice in the event Arch desires to begin to commercially offer Arch New Products (which such notice would include generally (i) the description of Arch 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 Arch New Product shall, except as otherwise provided in Article 10, be deemed to be Confidential Information of Arch 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 Arch New Products and the terms and conditions thereof. For purposes of establishing absolute clarity hereto, Lenders Protection acknowledges that, except as provided herein, Arch shall be under no obligation to allow Lenders Protection to participate in the commercialization of any Arch New Products. Arch 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 Arch 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 Arch 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 hereof), 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 Arch Lender to Lenders Protection to be transitioned to the use of one or more Additional Carrier Policies (a copy of which shall be provided to Arch if such request was provided in writing or by email by such Existing Arch Lender) (a "Request to Transition"), Lenders Protection may thereafter cause such Existing Arch Lender (a "Transitioned Lender") to be issued one or more Additional Carrier Policies (instead of Arch Policies) under the Program. In furtherance of the foregoing, Lenders Protection covenants that, during the Term hereof, it shall not actively solicit, promote, induce or encourage any Existing Arch Lender to request a transition from Arch to an Additional Carrier. In connection with any Transitioned Lender, Lenders Protection shall provide Arch with a written notice ("Transition Notice") setting forth in reasonable detail the basis of such transition (as then known and understood by Lenders Protection) and the effective date of such transition ("Transition Date"). Any such Transitioned Lender shall, following the Transition Date, be classified as an Existing Additional Carrier Lender. Prior to delivering any Transition Notice, Lenders Protection will (i) consult in good faith with Arch and allow Arch an opportunity to prevent or avoid delivery of the applicable Transition Notice through explanation, mitigation or cure of the facts, circumstances or events giving rise thereto, and (ii) use commercially reasonable efforts to facilitate consultation between (x) a senior management member of Arch, (y) a senior manager of the applicable Existing Arch Lender identified by Lenders Protection and (z) a senior manager of Lenders Protection, with the goal of such consultation being to prevent or avoid delivery of the applicable Transition Notice through explanation, mitigation or cure of the facts, circumstances or events giving rise thereto. Arch understands, acknowledges and agrees that the outcome of any such meeting or consultation and the decision to deliver a Transition Notice is to be determined by Lenders Protection in its reasonable business judgment.

(b) Allocation of Insured Loans by New Allocable Lenders.

(i) Arch acknowledges and agrees that 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 and, if (in the good faith and reasonable determination of Lenders Protection) such Additional Carrier is (or was, as the case may be) responsible, in whole or in material part, for such New Allocable Lender's participation in the Program (any such New Allocable Lender, an "Existing Additional Carrier Lender"), the Insured Loans issued by such Existing

Additional Carrier Lender will, first, at the option of the Existing Additional Carrier Lender, be issued an Additional Carrier Policy solely by such Additional Carrier. If Arch identifies any New Allocable Lenders interested in and appropriate for participation in the Program and, if (in the good faith and reasonable determination of Lenders Protection) Arch is responsible, in whole or in material part, for such New Allocable Lender's participation in the Program, such New Allocable Lender will be deemed an Existing Arch Lender, and the Insured Loans issued by such Existing Arch Lender will, first, at the option of such Existing Arch Lender, be issued a Policy solely by Arch, subject to the exceptions set forth in Section 3.3(a)(ii) hereof. 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 Arch Lender, Lenders Protection agrees that such determinations will be made in a good faith and in a reasonable manner (following consultation with Arch wherever appropriate) and confirmed by a written notice from Lenders Protection to Arch setting forth in reasonable detail the basis for such determination.

(ii) Lenders Protection shall attempt, in good faith and by use of commercially reasonable efforts, to (A) allocate, to the extent reasonably practicable, applications for Insured Loans to be issued by each New Allocable Lender (other than any New Allocable Lender that shall be deemed an Existing Additional Carrier Lender or an Existing Arch 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 Insured Loans issued by each New Allocable Lender (other than any New Allocable Lender that shall be deemed an Existing Additional Carrier Lender or an Existing Arch Lender, as the case may be) on an alternating basis relative to time of application and relative to the Target Allocation or in accordance with another methodology determined by Lenders Protection that is reasonably designed to provide for Insured Loans from such New Allocable Lenders that would be covered under a Policy issued by Arch to be substantially similar in the aggregate, in principal amount and other quantitative and qualitative loan, credit and borrower criteria to Insured 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 Arch does not actually receive the Target Allocation of applications for Insured 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)(ii)).

(iii) Notwithstanding anything to the contrary in Section 3.3(b)(ii), if Arch fails or refuses to issue Policies, or cancels an existing Policy, to any New Allocable Lender, then Lenders Protection may allocate applications for Insured 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 Insured Loans from the applicable New Allocable Lender to Arch.

(c) Information and Consultation Regarding Allocation of New Allocable Lenders. Within [***] following each Measurement Date, Lenders Protection will provide Arch 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 Arch Lender and the number of applications for Insured Loans allocated to Arch and the number of Insured Loans covered under a Policy issued or arranged by Arch for such Existing Arch 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 Insured Loans allocated to such Additional Carrier and the number of Insured Loans covered under an Additional Carrier Policy issued or arranged by on Additional Carrier for such Existing Additional Carrier Lender during each calendar year during the Review Period; (iii) the number of applications for Insured Loans allocated to Arch and the number of Insured Loans covered under a Policy issued or arranged by Arch for New Allocable Lenders during each calendar year during the Review Period; and (iv) the number of applications for Insured 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 Arch's sole cost and expense, Lenders Protection

shall from time to time consult in good faith with Arch, make available to Arch (during normal business hours and upon reasonable prior notice) any Program Files, and permit Arch to exercise audit rights in accordance with Section 6.2, in each case, as may be reasonably requested by Arch in connection with Arch'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 Arch with access to any confidential information of any third party or Lenders Protection.

Section 3.4 No Additional Commitments. Arch acknowledges and agrees that Lenders Protection would not have entered into this Agreement with Arch (nor requested that Arch provide Policies under the Program after the Effective Date) but for Arch's 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: Issuance of Policies. At all times during the Term hereof, Arch (or a designee) shall, as a material 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 Arch and (c) have met all Arch Underwriting Guidelines.

Section 4.2 [*]**

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. Arch agrees to maintain, during the Term hereof, that separate agreement with the Surplus Lines Broker attached as Schedule C hereto (the "SLB Agreement") on the terms and conditions therein reflected. Should Arch terminate the SLB Agreement pursuant to the terms thereof it (a) will provide at least [***] written notice to Lenders Protection in the event that the termination is for convenience and (b) may terminate with no notice to Lenders Protection if the basis for such termination is a material breach of the SLB Agreement (provided, however, Arch shall provide reasonable written notice whenever practicable). Notwithstanding the foregoing, Arch shall not, at any time during the Term hereof, amend, modify (by course of conduct or otherwise) or terminate the SLB Agreement or replace the Surplus Lines Broker without, in any such case, the prior written consent of Lenders Protection if, in any such case, the SLB Agreement, as so amended, modified or terminated or the replacement of the Surplus Lines Broker would have, or is reasonably likely to have, a materially negative financial impact on Lenders Protection.

Section 4.5 Maintenance of Governmental Authorizations. Arch and, subject to Section 5.5, Lenders Protection, agree to maintain, at all times during the Term hereof and at all times required by Applicable Law, all licenses, authorizations, certificates, permits and other Governmental Authority required to comply with Applicable Law and shall notify the other party immediately in writing to the extent any such licenses, authorization, certificate, permit or other Governmental Authority is suspended, revoked, cancelled, not renewed or otherwise made unavailable.

Section 4.6 Claims Administration. Arch agrees that it will cause Insurer to assign certain obligations to perform claims administration on Claims to Lenders Protection [***], an Affiliate of Lenders Protection, as designated by Lenders Protection, and 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. Arch agrees that, in the event Lenders Protection [***] (as the case may be) breaches the provisions of said [***], Arch may pursue any direct, actual, out-of-pocket loss (a "Recoverable

Loss”) related to such breach of such [***], subject to all other terms and provisions of the [***] and this Agreement; it being understood that in no instance shall Arch 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 which Arch has approved in writing, shall provide each holder of a Policy with the administrative support services required to be performed under such Policy in a timely manner and in accordance with

(a) all the terms and conditions of such Policy (b) Arch'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. Arch agrees that, in the event Lenders Protection [***] (as the case may be) breaches the provisions of this Section 5.1, Arch 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 Arch 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) Arch has consented in writing to the use and/or services of

such third party, (b) said third party is licensed with Surplus Lines Broker as required by Applicable Law, and (c) Arch 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 material action taken, or order issued, by a Governmental Authority (including censure) that is reasonably likely to have a material negative impact on this Program, or (z) upon the occurrence of an Event of Bankruptcy of such third party.

Section 5.3 Subcontractors. Lenders Protection shall not engage or authorize any subcontractor or other service provider to provide or render any material services required to be performed under a Policy (each, a “Subcontractor”) without Lenders Protection’s receipt of the prior written approval of Arch, except to the extent provided in Section 5.6 below. Lenders Protection shall provide Subcontractors with all of Arch’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 Arch, with Arch in form and substance satisfactory to the Parties in which, among other things, such Subcontractor shall agree to comply with all of Arch’s rules and regulations and Applicable Law. As between Arch and Lenders Protection, Arch 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 Arch in writing and in either event in accordance with Applicable Law.

Section 5.5 Underwriting Guidelines. With respect to any Policy, Lenders Protection and Arch shall comply with and be bound by (a) the Underwriting Guidelines as may be amended from time to time, and (b) all Applicable Laws. [***]

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

Section 5.7 Reporting and Payment to Arch. 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 Arch is reported to Arch and to the Surplus Lines Broker no later than the [***], with respect to all such loans so requested in the prior calendar month, and is otherwise scheduled to the appropriate Policy, in accordance with Arch’s requirements and direction. Arch will be paid, when due, all premiums calculated in accordance with the terms of this Agreement in respect of each such 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 Arch will not be deemed to be a breach of this Agreement. Notwithstanding the foregoing, Lenders Protection will not actively interfere with timely payments by the Surplus Lines Broker and covenants to provide reasonable assistance to Arch to obtain payment by the Surplus Lines Broker.

Section 5.8 Consumer Reporting Compliance. Lenders Protection shall be solely responsible for providing Arch with information on loans that (a) were refused coverage under the Policies due to information in the borrower’s credit file or (b) resulted in any other circumstances in which Applicable Law requires that an adverse action or any other notice to a consumer (a “Consumer Notice”) be sent by Arch including, without limitation, the Fair Credit Reporting Act (“FCRA”), despite the absence of Arch’s legal obligation to provide a notice thereunder. Arch may designate a vendor, subject to approval by Lenders Protection, which approval shall not be unreasonably withheld (an “Approved Vendor”). The Approved Vendor shall be bound by

confidentiality obligations and Arch may deliver such denial information to such Approved Vendor for delivery as required by Applicable Law. Arch understands, acknowledges and agrees that Arch will be responsible for any improper use or distribution of such information by the Approved Vendor. Such denial or other required information shall be provided to Arch within at least [***] after such application is declined or otherwise results in circumstances requiring a Consumer Notice be sent by Arch. This data will include the information requested by Arch in order to issue these notices and any other information reasonably required by Arch.

ARTICLE 6

ACCESS TO RECORDS AND AUDITS

Section 6.1 Maintenance of Program Files. The Parties shall keep, and shall require their Affiliates to keep, commercially reasonable accounts, books and records of all business transacted under this Agreement and the Policies, including without limitation, copies of all 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 or 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 costs 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 Arch 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 being audited. 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 loans, or until the completion of a financial or market conduct examination of such records by the insurance regulatory authority of the state in which Arch is domiciled, 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 claim, loss, liability, fine, penalty, cost or expense, including but not limited to reasonable attorneys’ fees and costs, (collectively, an “Indemnification Request”) to the extent such Indemnification Request arises from the negligence, willful misconduct or material breach of 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 specified in Article 9 or 10.

Section 7.2 [*]**

Section 7.3 Indemnification Procedures. If an Indemnified Party has reasonable cause to believe it has grounds for indemnification under this Agreement, it will promptly deliver a notice of its Indemnification Request to the other Party (the “Indemnifying Party”), setting forth with reasonable particularity the grounds for the Indemnification Request. If there is asserted any Indemnification Request by a Person not a party to this Agreement (a “Third Party Indemnification Request”) including, without limitation, a 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 Arch or as otherwise set forth herein, Arch 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 Arch 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 (1) 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. Arch acknowledges and agrees that Lenders Protection's Intellectual Property expressly includes, without limitation, the Software Platform, Program, the Improvements and all information and data (including Performance Data) involved in or regarding the Software Platform, Program and/or Improvements. Both Arch and Lenders Protection hereby agree that Performance Data is owned by Lenders Protection and that Arch 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 Arch, Lenders Protection (either alone or in combination with others) or Arch 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 Arch covenants and agrees to execute any documentation necessary to reflect the foregoing and hereby conveys the same to Lenders Protection. Arch 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, Program and/or the Improvements. Arch shall notify Lenders Protection of any infringements of its rights in Lenders Protection's Intellectual Property, the Software Platform, Program and/or Improvements coming to the attention of Arch. To the extent requested by Lenders Protection (at any time following the Effective Date hereof), Arch shall execute (and Arch 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 Arch shall be owned by Lenders Protection and Arch 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), (b) Arch'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 Arch's Affiliates; provided, that, prior to such assignment, (y) any such Arch Affiliate agrees in writing with Lenders Protection that its obligations with respect to such Performance Data are identical to Arch's under this Agreement and (z) Arch agrees in writing with Lenders Protection that it shall be responsible and liable for the acts and/or omissions of its Affiliate on a joint and several basis, and (c) Arch'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 Arch, the Parties hereto acknowledge and agree (i) Arch's Use of the Performance Data will solely be in furtherance of Arch's 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 Arch 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 Arch 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 trademark's in the matters set forth on Schedule 9.4, 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 Arch or Lenders Protection, prior to or after the expiration or 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. Arch 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 Arch or Lenders Protection. The obligations under this Article 9 shall survive the expiration or termination of this Agreement.

ARTICLE 10

CONFIDENTIALITY

Section 10.1 By virtue of the relationship between the Parties, each Party may have access to trade secrets and information that is confidential and/or proprietary to the other Party (collectively "Confidential Information"). The Party which discloses to the other Party Confidential Information shall be referred to herein as the "Disclosing Party" and the Party to which the Disclosing Party discloses Confidential Information shall be referred to herein as the "Receiving Party". Confidential Information shall include but is not limited to information regarding each other's operations, data processing and procedures, billing and collection procedures, Policy holder information, formulas, methods, know-how, processes, data, designs, new products, developmental work, marketing requirements, marketing plans, the terms and pricing under this Agreement, and all information identified by the Disclosing Party at the time of disclosure as confidential or proprietary or which the Receiving Party knows, or should know given the circumstances of the disclosure or the nature of the information disclosed is treated as confidential by the Disclosing Party. Confidential Information shall not include information that (a) is or becomes a part of the public domain through no act or omission of the Receiving Party; (b) was in the Receiving Party's lawful possession prior to the disclosure and had not been obtained by the Receiving Party either directly or indirectly from the Disclosing Party; (c) is lawfully disclosed to the Receiving Party by a third party without restriction on disclosure; or (d) is independently developed by the Receiving Party. The Receiving Party agrees to hold (and agrees to cause the agents and employees of the Receiving Party to hold) the Disclosing Party's Confidential Information in strict confidence at all times during and after the Term hereof and, with respect to Confidential Information that constitutes "trade secrets" under Applicable Law, until such information ceases to be a trade secret under Applicable Law. The Receiving Party agrees, unless required by law,

not to make the Disclosing Party's Confidential Information available in any form to any third party or to use the Disclosing Party's Confidential Information for any purpose other than the implementation of this Agreement. Confidential Information may be shared with the Receiving Party's employees or agents on a need to know basis only. The Receiving Party agrees to take all reasonable steps to ensure that Confidential Information is not disclosed or distributed by its employees or agents in violation of the terms of this Agreement. To the extent requested in writing by the Disclosing Party, the Receiving Party shall return or destroy (as directed by the Receiving Party) all Confidential Information received from the Disclosing Party hereunder and shall, if requested, certify to such return or destruction upon request.

Section 10.2 If disclosure of any Confidential Information is compelled by court order, subpoena or other legal process, the Receiving Party shall, to the extent reasonably possible, give the Disclosing Party reasonable prior notice to enable the Disclosing Party to consent to such order or seek a protective order or other appropriate remedy. The Parties agree that any breach of obligations under this Article 10 will be a material breach of this Agreement and result in irreparable harm to the Disclosing Party, for which damages would be an inadequate remedy. In addition to the rights and remedies otherwise available at law, the Disclosing Party will be entitled to seek equitable relief; including injunction without the necessity of posting a bond, in the event of such breach and to recover its reasonable attorneys' fees. The Receiving Party agrees to be responsible for any breach of this Article 10 by any employee or agent acting within its reasonable control, including the payment of court costs and legal fees. The obligations under this Article 10 shall survive the expiration or termination of this Agreement.

ARTICLE 11

INSURANCE

Section 11.1 During the Term, each of the Parties hereto shall secure and maintain, at its own expense, and shall require all Subcontractors to secure and maintain, at such 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 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 of subrogation against the other.

(a) 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 [***].

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

of[***].

(c) Excess coverage with respect to Sections 11.1(a) and 11.1(b) above with a minimum combined single limit

(d) Errors and Omissions coverage with a minimum limit of [***].

(e) Cyber Liability Insurance with a minimum combined single limit of [***].

(f) Each Party shall be responsible for loss of the others property and customer property, 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) 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 the Parties, 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) The Parties have, 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 Arch that, as of the Effective 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 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 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 New York, New York. 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, either 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.

(a) Each of the Parties hereto hereby irrevocably consents and submits to the exclusive jurisdiction of the United States District Court for the Northern District of Texas, 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 Dallas, Texas (collectively with the United States District Court for the Northern District of Texas, 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.

(b) 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 14.2 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 constitutes the entire agreement between the Parties with respect to subject matter herein and no 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 facsimile or telecopy machine, followed by confirmation mailed by United States first-class mail or overnight express mail, (d) delivered to the receiving Party via electronic mail to the recipients' e-mail address shown below or any successor e-mail addresses provided by a Party, followed by confirmation mailed by United States first-class mail or overnight express mail or (e) delivered in person or by commercial courier to the Parties at the following addresses:

If to Arch: [***]

With a 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, Arch hereby agrees and acknowledges that its agreement to permit an Extension Period to the Non-Compete Period (as contemplated by Section 3.1(e)) 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 - 15 and Sections 2.3, 3.1, 4.2 and 4.3 herein shall survive any termination of this Agreement.

Section 15.6 Assignment. Subject to the provisions of Section 2.2(f) or Section 2.2(g) above, 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. 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 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. The plans must be in place and delivered to the other Party [***] after the Effective Date and on each anniversary date of such Effective Date thereafter. If either Party objects in writing to any provision of such plans and controls, the non-objecting Party shall respond to the objecting Party in writing within [***] after such objection explaining, among other matters, the matters the non-objecting Party wishes to include in its response and the actions it intends to take, if any, to attempt to appease the objecting Party's objection(s). Each Party agrees to provide the other, not less than [***] prior to the consummation thereof, notice of any Change of Control.

[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.

Arch: Lenders Protection:

ARCH SPECIALTY INSURANCE COMPANY LENDERS PROTECTION, LLC

Signed: [***] Signed: [***]

Print Name: [***] Print Name: [***]

Title: [***] Title: [***]

5/2/2022 5/2/2022

I, John Flynn, certify that:

- 1 I have reviewed this Quarterly Report on Form 10-Q of Open Lending Corporation (the “Registrant”);
- 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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;
- 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 5, 2022

/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 (the “Registrant”);
- 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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;
- 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 5, 2022

/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 for the fiscal quarter ended June 30, 2022 of Open Lending Corporation, a Delaware corporation (the "Company"), 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 to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Form 10-Q fully complies 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 5, 2022

**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 for the fiscal quarter ended June 30, 2022 of Open Lending Corporation, a Delaware corporation (the "Company"), 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 to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Form 10-Q fully complies 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

Charles D. Jehl
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 5, 2022