UNITED STATES DISTRICT COURT
DISTRICT OF SOUTH CAROLINA

_____., Individually and on behalf of all others similarly situated, Plaintiff, v. WORLD ACCEPTANCE CORPORATION, INC., R. CHAD PRASHAD and JOHN L. CALMES, JR., Defendants.	**Case No:** **CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS** **JURY TRIAL DEMANDED**

Plaintiff _____ ("Plaintiff"), individually and on behalf of all other persons similarly situated, by Plaintiff's undersigned attorneys, for Plaintiff's complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff's own acts, and information and belief as to all other matters, based upon, among other things, the investigation conducted by and through his attorneys, which included, among other things, a review of the Defendants' public documents, public filings, wire and press releases published by and regarding World Acceptance Corporation ("World Acceptance" or the "Company"), and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a class action on behalf of persons or entities who purchased or otherwise acquired publicly traded World Acceptance securities between June 1, 2023 and February 23, 2024, inclusive (the "Class Period"). Plaintiff seeks to recover compensable damages caused by

Defendants' violations of the federal securities laws under the Securities Exchange Act of 1934 (the "Exchange Act").

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, and Section 27 of the Exchange Act (15 U.S.C. §78aa).

4. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)) as the alleged misstatements entered and the subsequent damages took place in this judicial district.

5. In connection with the acts, conduct and other wrongs alleged in this complaint, Defendants (defined below), directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

6. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased World Acceptance securities during the Class Period and was economically damaged thereby.

7. Defendant World Acceptance purports to be a "small-loan consumer finance company headquartered in Greenville, South Carolina that offers short-term small loans, medium-term larger loans, related credit insurance products and ancillary products and services

to individuals who have limited access to other sources of consumer credit. The Company offers income tax return preparation services to its loan customers and other individuals."

8. Defendant World Acceptance is incorporated in South Carolina and its head office is located at 104 S Main Street, Greenville, South Carolina 29601. World Acceptance's common stock trades on the NASDAQ exchange ("NASDAQ") under the ticker symbol "WRLD".

9. Defendant R. Chad Prashad ("Prashad") has served as the Company's Chief Executive Officer ("CEO") and President since June 2018. He also serves on the Board of Directors (the "Board").

10. Defendant John L. Calmes, Jr. ("Calmes") has served as the Company's Chief Financial Officer ("CFO"), Chief Strategy Officer, and Executive Vice President throughout the Class Period.

11. Defendants Prashad and Calmes are collectively referred to herein as the "Individual Defendants."

12. Each of the Individual Defendants:

(a) directly participated in the management of the Company;

(b) was directly involved in the day-to-day operations of the Company at the highest levels;

(c) was privy to confidential proprietary information concerning the Company and its business and operations;

(d) was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;

(e) was directly or indirectly involved in the oversight or implementation of the Company's internal controls;

(f) was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or

(g) approved or ratified these statements in violation of the federal securities laws.

13. World Acceptance is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

14. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to World Acceptance under *respondeat superior* and agency principles.

15. Defendant World Acceptance and the Individual Defendants are collectively referred to herein as "Defendants."

SUBSTANTIVE ALLEGATIONS

Materially False and Misleading Statements Issued During the Class Period

16. On June 1, 2023, World Acceptance filed with the SEC its Annual Report on Form 10-K for the fiscal year ended March 31, 2023 (the "2023 Annual Report"). Attached to the 2023 Annual Report were certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") signed by Defendants Prashad and Calmes attesting to the accuracy of financial

reporting, the disclosure of any material changes to the Company's internal control over financial reporting and the disclosure of all fraud.

17. The 2023 Annual Report contained the following risk factor:

> ***Media and public characterization of consumer installment loans as being predatory or abusive could have a materially adverse effect on our business, prospects, results of operations and financial condition.***
>
> Consumer activist groups and various other media sources continue to advocate for governmental and regulatory action to prohibit or severely restrict our products and services. These critics frequently characterize our products and services as predatory or abusive toward consumers. If this negative characterization of the consumer installment loans we make and/or ancillary services we provide becomes widely accepted by government policy makers or is embodied in legislative, regulatory, policy or litigation developments that adversely affect our ability to continue offering our products and services or the profitability of these products and services, our business, results of operations and financial condition would be materially and adversely affected. Furthermore, our industry is highly regulated, and announcements regarding new or expected governmental and regulatory action regarding consumer lending may adversely impact perceptions of our business even if such actions are not targeted at our operations and do not directly impact us.

18. The statement in ¶ 17 was materially false and misleading at the time it was made because the Consumer Financial Protection Bureau (the "CFPB") had opened an investigation into the Company as a result of treatment toward consumers that could be reasonably characterized as "predatory" or "abusive."

19. The 2023 Annual report contained the following risk disclosure relating to regulation:

> ***Federal legislative or regulatory proposals, initiatives, actions, or changes that are adverse to our operations or result in adverse regulatory proceedings, or our failure to comply with existing or future federal laws and regulations, could force us to modify, suspend, or cease part or all of our nationwide operations.***
>
> We are subject to numerous federal laws and regulations that affect our lending operations. From time to time, we may become involved in formal and informal reviews, investigations, examinations, proceedings, and information-gathering requests by federal and state government and self-regulatory agencies. Should we become subject to such an investigation, examination, or proceeding, the matter could result in material adverse

consequences to us, including, but not limited to, increased compliance costs, adverse judgments, significant settlements, fines, penalties, injunction, or other actions.

Although these laws and regulations have remained substantially unchanged for many years, the laws and regulations directly affecting our lending activities have been under review and subject to change in recent years as a result of various developments and changes in economic conditions, the make-up of the executive and legislative branches of government, and the political and media focus on issues of consumer and borrower protection. Any changes in such laws and regulations could force us to modify, suspend, or cease part or, in the worst case, all of our existing operations. It is also possible that the scope of federal regulations could change or expand in such a way as to preempt what has traditionally been state law regulation of our business activities.

In July 2010 the Dodd-Frank Act was enacted. ***The Dodd-Frank Act restructured and enhanced the regulation and supervision of the financial services industry and created the CFPB, an agency with sweeping regulatory and enforcement authority over consumer financial transactions***. The CFPB's rulemaking and enforcement authority extends to certain non-depository institutions, including us. ***The CFPB is specifically authorized, among other things, to take actions to prevent companies providing consumer financial products or services and their service providers from engaging in unfair, deceptive or abusive acts or practices in connection with consumer financial products and services, and to issue rules requiring enhanced disclosures for consumer financial products or services***. The CFPB also has authority to interpret, enforce, and issue regulations implementing enumerated consumer laws, including certain laws that apply to our business. Further, the CFPB has authority to designate non-depository "larger participants" in certain markets for consumer financial services and products for purposes of the CFPB's supervisory authority under the Dodd-Frank Act. Such designated "larger participants" are subject to reporting and on-site compliance examinations by the CFPB, which may result in increased compliance costs and potentially greater enforcement risks based on these supervisory activities. Although the CFPB has not yet developed a "larger participant" rule that directly covers the Company's installment lending business, the Company believes that the implementation of any such rules would likely bring the Company's business under the CFPB's direct supervisory authority. In addition, even in the absence of a "larger participant" rule, the CFPB has the power to order individual nonbank financial institutions to submit to supervision where the CFPB has reasonable cause to determine that the institution is engaged in "conduct that poses risks to consumers" under 12 USC 5514(a)(1)(C). In 2022, the CFPB announced that it has begun using this "dormant authority" to examine nonbank entities and the CFPB is attempting to expand the number of nonbank entities it currently supervises. ***Specifically, the CFPB has notified the Company that it is seeking to establish such supervisory authority over the Company. The Company disagrees that the CFPB has reasonable [cause to supervise] the Company, has responded to the CFPB's notice, and is awaiting further response from the CFPB***. If the CFPB ultimately determines it has supervisory authority over the Company, then the Company may be subject to, among other things, examination by the CFPB.

* * *

> In addition to the specific matters described above, other aspects of our business may be the subject of future CFPB rule-making. The enactment of one or more of such regulatory changes, or the exercise of broad regulatory authority by regulators, including but not limited to, the CFPB, having jurisdiction or supervisory authority over the Company's business or discretionary consumer financial transactions, generically, could materially and adversely affect our business, results of operations and prospects.

(Emphasis added).

20. The statements in ¶ 19 was materially false and misleading at the time it was made because it understated the likelihood that the CFPB would establish supervisory authority over the Company, given how it treated consumers.

21. The 2023 Annual Report contained the following risk disclosure:

> ***Damage to our reputation could negatively impact our business.***
>
> Maintaining a strong reputation is critical to our ability to attract and retain customers, investors, and employees. ***Harm to our reputation can arise from many sources, including employee misconduct, misconduct by third-party service providers or other vendors, litigation or regulatory actions, failure by us to meet minimum standards of service and quality, inadequate protection of customer information, and compliance failures***. Negative publicity regarding our Company (or others engaged in a similar business or similar activities), whether or not accurate, may damage our reputation, which could have a material adverse effect on our business, results of operations, and financial condition.

(Emphasis added).

22. The statement in ¶ 21 was materially false and misleading at the time it was made because, by that time, the CFPB had opened a regulatory investigation into the Company based on events which, if publicized, could damage the Company's reputation.

23. On August 3, 2023, World Acceptance filed with the SEC its quarterly report on Form 10-Q for the period ended June 30, 2023 (the "1Q24 Report"). Attached to the 1Q24 Report were certifications pursuant to SOX signed by Defendants Prashad and Calmes attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting and the disclosure of all fraud.

24. The 1Q24 Report stated that "[t] here have been no material changes to the risk factors disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2023."

25. The statement in ¶ 24 was materially false and misleading because, as discussed above, the risk disclosures in the 2022 Annual Report were materially false and misleading.

26. The 1Q24 Report included the following about the CFPB in its section on regulatory matters:

> On October 5, 2017, the CFPB issued a final rule (the "Rule") imposing limitations on (i) short-term consumer loans, (ii) longer-term consumer installment loans with balloon payments, and (iii) higher-rate consumer installment loans repayable by a payment authorization. The Rule originally required lenders originating short-term loans and longer-term balloon payment loans to evaluate whether each consumer has the ability to repay the loan along with current obligations and expenses ("ability to repay requirements"); however, the ability to repay requirements were rescinded in July 2020. The Rule also curtails repeated unsuccessful attempts to debit consumers' accounts for short-term loans, balloon payment loans, and installment loans that involve a payment authorization and an annual percentage rate over 36% ("payment requirements"). However, on October 19, 2022, a three-judge panel of the Fifth Circuit Court of Appeals held in *Cmty. Fin.l Servs. Ass'n of Am., Ltd. v. Consumer Fin. Prot. Bureau*, that the CFPB's funding structure violated the U.S. Constitution's Appropriations Clause, which requires that all expenditures of federal funds be approved by Congress. On this ground, it vacated the Rule. The decision will be binding in the Fifth Circuit's jurisdiction, covering Louisiana, Texas and Mississippi, and persuasive in other circuits until there's a competing case to contradict it. The CFPB has filed a certiorari petition asking the U.S. Supreme Court to review the Fifth Circuit's panel decision. The Supreme Court has scheduled oral arguments on October 3, 2023 and it is possible that a decision may not be issued until the end of the Court's term in June 2024. Implementation of the Rule's payment requirements is uncertain, but if it were to take effect it could require changes to the Company's practices and procedures for such loans, which could materially and adversely affect the Company's ability to make such loans, the cost of making such loans, the Company's ability to, or frequency with which it could, refinance any such loans, and the profitability of such loans.
>
> Unless rescinded or otherwise amended, the Company will have to comply with the Rule's payment requirements if it continues to allow consumers to set up future recurring payments online for certain covered loans such that it meets the definition of having a "leveraged payment mechanism" under the Rule. If the payment provisions of the Rule apply, the Company will have to modify its loan payment procedures to comply with the required notices and mandated timeframes set forth in the final rule.

> In its Fall 2015 rulemaking agenda, the CFPB stated that it expected to conduct a rulemaking to identify larger participants in the installment lending market for purposes of its supervision program. However, this initiative was classified as "inactive" on the CFPB's Spring 2018 rulemaking, and its Fall 2022 rulemaking agenda showed no planned activity in this area. Though the likelihood and timing of any such rulemaking is uncertain, the Company believes that the implementation of such rules would likely bring the Company's business under the CFPB's supervisory authority which, among other things, would subject the Company to reporting obligations to, and on-site compliance examinations by, the CFPB. While the CFPB has not yet initiated rulemaking for defining larger participants in the installment lending market, its Spring 2023 rulemaking agenda indicates that the CFPB is considering rules to define larger participants in markets for consumer payments, suggesting that the CFPB has renewed its focus on further identifying larger participants for purposes of its supervision program. Even in the absence of a larger participant rule, the CFPB has the power to order individual nonbank financial institutions to submit to supervision where the CFPB has reasonable cause to determine that the institution is engaged in "conduct that poses risks to consumers" under 12 USC 5514(a)(1)(C). On April 25, 2022, the CFPB announced that it has begun using this "dormant authority" to examine nonbank entities that pose risks to consumers.

27. The statement in ¶ 26 was materially false and misleading because it omitted any discussion of the CFPB investigation into the Company which would eventually lead to an order establishing CFPB supervisory authority over the Company.

28. On November 3, 2023, World Acceptance filed with the SEC its quarterly report on Form 10-Q for the period ended September 30, 2023 (the "2Q24 Report"). Attached to the 2Q24 Report were certifications pursuant to SOX signed by Defendants Prashad and Calmes attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting and the disclosure of all fraud.

29. The 2Q24 Report stated that "[t] here have been no material changes to the risk factors disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2023."

30. The statement in ¶ 29 was materially false and misleading because, as discussed above, the risk disclosures in the 2022 Annual Report were materially false and misleading.

31. The 2Q24 Report included the following about the CFPB in its section on regulatory matters:

> On October 5, 2017, the CFPB issued a final rule (the "Rule") imposing limitations on (i) short-term consumer loans, (ii) longer-term consumer installment loans with balloon payments, and (iii) higher-rate consumer installment loans repayable by a payment authorization. The Rule originally required lenders originating short-term loans and longer-term balloon payment loans to evaluate whether each consumer has the ability to repay the loan along with current obligations and expenses ("ability to repay requirements"); however, the ability to repay requirements were rescinded in July 2020. The Rule also curtails repeated unsuccessful attempts to debit consumers' accounts for short-term loans, balloon payment loans, and installment loans that involve a payment authorization and an annual percentage rate over 36% ("payment requirements"). However, on October 19, 2022, a three-judge panel of the Fifth Circuit Court of Appeals held in *Cmty. Fin.l Servs. Ass'n of Am., Ltd. v. Consumer Fin. Prot. Bureau*, that the CFPB's funding structure violated the U.S. Constitution's Appropriations Clause, which requires that all expenditures of federal funds be approved by Congress. On this ground, it vacated the Rule. The decision will be binding in the Fifth Circuit's jurisdiction, covering Louisiana, Texas and Mississippi, and persuasive in other circuits until there's a competing case to contradict it. The CFPB has filed a certiorari petition asking the U.S. Supreme Court to review the Fifth Circuit's panel decision. The Supreme Court heard oral arguments on October 3, 2023 and it is possible that a decision may not be issued until the end of the Court's term in June 2024. Implementation of the Rule's payment requirements is uncertain, but if it were to take effect it could require changes to the Company's practices and procedures for such loans, which could materially and adversely affect the Company's ability to make such loans, the cost of making such loans, the Company's ability to, or frequency with which it could, refinance any such loans, and the profitability of such loans.
>
> Unless rescinded or otherwise amended, the Company will have to comply with the Rule's payment requirements if it continues to allow consumers to set up future recurring payments online for certain covered loans such that it meets the definition of having a "leveraged payment mechanism" under the Rule. If the payment provisions of the Rule apply, the Company will have to modify its loan payment procedures to comply with the required notices and mandated timeframes set forth in the final rule.
>
> In its Fall 2015 rulemaking agenda, the CFPB stated that it expected to conduct a rulemaking to identify larger participants in the installment lending market for purposes of its supervision program. However, this initiative was classified as "inactive" on the CFPB's Spring 2018 rulemaking, and its Spring 2023 rulemaking agenda showed no planned activity in this area. Though the likelihood and timing of any such rulemaking is uncertain, the Company believes that the implementation of such rules would likely bring the Company's business under the CFPB's supervisory authority which, among other things, would subject the Company to reporting obligations to, and on-site compliance examinations by, the CFPB. While the CFPB has not yet initiated

> rulemaking for defining larger participants in the installment lending market, its Spring 2023 rulemaking agenda indicates that the CFPB is considering rules to define larger participants in markets for consumer payments, suggesting that the CFPB has renewed its focus on further identifying larger participants for purposes of its supervision program. Even in the absence of a larger participant rule, the CFPB has the power to order individual nonbank financial institutions to submit to supervision where the CFPB has reasonable cause to determine that the institution is engaged in "conduct that poses risks to consumers" under 12 USC 5514(a)(1)(C). On April 25, 2022, the CFPB announced that it has begun using this "dormant authority" to examine nonbank entities that pose risks to consumers.

32. The statement in ¶ 31 was materially false and misleading because it omitted any discussion of the CFPB investigation into the Company which would eventually lead to an order establishing CFPB supervisory authority over the Company.

33. On February 7, 2024, World Acceptance filed with the SEC its quarterly report on Form 10-Q for the period ended December 31, 2023 (the "3Q24 Report"). Attached to the 3Q24 Report were certifications pursuant to SOX signed by Defendants Prashad and Calmes attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting and the disclosure of all fraud.

34. The 3Q24 Report stated that "[t] here have been no material changes to the risk factors disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2023."

35. The statement in ¶ 34 was materially false and misleading because on November 30, 2023, Rohit Chopra, the Director of the CFPB, had signed an order establishing federal supervision over the Company.

36. The 3Q24 Report contained included the following about the CFPB in its section on regulatory matters:

> On October 5, 2017, the CFPB issued a final rule (the "Rule") imposing limitations on (i) short-term consumer loans, (ii) longer-term consumer installment loans with balloon payments, and (iii) higher-rate consumer installment loans repayable by a payment authorization. The Rule originally required lenders originating short-term loans and

longer-term balloon payment loans to evaluate whether each consumer has the ability to repay the loan along with current obligations and expenses ("ability to repay requirements"); however, the ability to repay requirements were rescinded in July 2020. The Rule also curtails repeated unsuccessful attempts to debit consumers' accounts for short-term loans, balloon payment loans, and installment loans that involve a payment authorization and an annual percentage rate over 36% ("payment requirements"). However, on October 19, 2022, a three-judge panel of the Fifth Circuit Court of Appeals held in *Cmty. Fin.l Servs. Ass'n of Am., Ltd. v. Consumer Fin. Prot. Bureau*, ruled that the CFPB's funding structure violated the U.S. Constitution's Appropriations Clause, which requires that all expenditures of federal funds be approved by Congress. On this ground, it vacated the Rule. The decision will be binding in the Fifth Circuit's jurisdiction, covering Louisiana, Texas and Mississippi, and persuasive in other circuits until there's a competing case to contradict it. The CFPB has filed a certiorari petition asking the U.S. Supreme Court to review the Fifth Circuit's panel decision. The Supreme Court heard oral arguments on October 3, 2023 and it is possible that a decision may not be issued until the end of the Court's term in June 2024. Implementation of the Rule's payment requirements is uncertain, but if it were to take effect it could require changes to the Company's practices and procedures for such loans, which could materially and adversely affect the Company's ability to make such loans, the cost of making such loans, the Company's ability to, or frequency with which it could, refinance any such loans, and the profitability of such loans.

Unless rescinded or otherwise amended, the Company will have to comply with the Rule's payment requirements if it continues to allow consumers to set up future recurring payments online for certain covered loans such that it meets the definition of having a "leveraged payment mechanism" under the Rule. If the payment provisions of the Rule apply, the Company will have to modify its loan payment procedures to comply with the required notices and mandated timeframes set forth in the final rule.

In its Fall 2015 rulemaking agenda, the CFPB stated that it expected to conduct a rulemaking to identify larger participants in the installment lending market for purposes of its supervision program. However, this initiative was classified as "inactive" on the CFPB's Spring 2018 rulemaking, and its Fall 2023 rulemaking agenda showed no planned activity in this area. Though the likelihood and timing of any such rulemaking is uncertain, the Company believes that the implementation of such rules would likely bring the Company's business under the CFPB's supervisory authority which, among other things, would subject the Company to reporting obligations to, and on-site compliance examinations by, the CFPB. While the CFPB has not yet initiated rulemaking for defining larger participants in the installment lending market, its Fall 2023 rulemaking agenda indicates that the CFPB is considering rules to define larger participants in markets for consumer payments, suggesting that the CFPB has renewed its focus on further identifying larger participants for purposes of its supervision program. Even in the absence of a larger participant rule, the CFPB has the power to order individual nonbank financial institutions to submit to supervision where the CFPB has reasonable cause to determine that the institution is engaged in "conduct that poses risks to consumers" under 12 USC 5514(a)(1)(C). On April 25, 2022, the CFPB

> announced that it has begun using this "dormant authority" to examine nonbank entities that pose risks to consumers. The CFPB has determined under its dormant authority that the Company is subject to its supervisory authority, and therefore is subject to reporting obligations to, and on-site examinations by, the CFPB. In light of this, we expect a supervisory review by the CFPB in the near future.

37. The statement in ¶ 36 was materially false and misleading because it omitted that on November 30, 2023, Rohit Chopra, the Director of the CFPB, had signed an order establishing federal supervision over the Company.

38. The statements contained in ¶¶ ___ were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operations and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) World Acceptance was likely to come under federal scrutiny as a result of its predatory business practices; and (2) as a result, Defendants' statements about its business, operations, and prospects, were materially false and misleading and/or lacked a reasonable basis at all relevant times.

THE TRUTH EMERGES

39. On February 23, 2024, and upon information and belief, after market hours, the Consumer Financial Protection Bureau (the "CFPB") posted an announcement on its website entitled "CFPB Orders Federal Supervision for Installment Lender Following Contested Designation", which was World Acceptance.

40. The announcement further outlines what the CFPB does. Specifically, it stated that the "CFPB is responsible for supervising a wide range of financial firms to ensure they are complying with federal consumer financial protection laws. The CFPB has supervised nonbank entities in certain industries like mortgage and payday lending, service providers to banks and

credit unions, and larger players in particular markets as defined by rule."

41. The announcement further stated that "[t]he CFPB has determined that World Acceptance Corporation has met the legal requirements for supervision. The CFPB is making this order public to provide transparency about how it assesses risks using consumer complaints and other factors."

42. Attached to this announcement was a public version of a Decision and Order designating World Acceptance as an entity which would be under increased CFPB supervision (the "Order"). This Order was signed by Rohit Chopra, the CFPB's director. It was dated November 30, 2023.

43. The Order contained a timeline into the investigation and proceedings leading up to the Order:

> ***On March 10, 2023, the Assistant Director for Supervision, who acts as the "initiating official" under the procedural rule, began this proceeding*** by issuing what the rule terms a "Notice of Reasonable Cause." ***World Acceptance submitted its written response on April 12, 2023. World Acceptance provided a supplemental oral response on May 17, 2023.*** I then received a recommendation regarding a determination. ***On July 17, 2023, I ordered the initiating official to file a supplemental brief*** providing additional analysis regarding why a risk determination under section 1024(a)(1)(C) may be warranted. I also ordered the initiating official to file, along with the supplemental brief, copies of certain consumer complaints. In addition, I ordered the initiating official to file any responses from World Acceptance to those complaints. I also provided World Acceptance an opportunity, at its option, to file a supplemental brief responding to any arguments in either the recommended determination or the initiating official's supplemental brief. ***On August 21, 2023, the initiating official filed her supplemental brief and the additional materials I requested***. ***On October 16, 2023, World Acceptance filed a supplemental brief.***
>
> (Emphasis added and internal citations omitted).

44. In the Order, the CFPB stated that there "is reasonable cause to determine that World Acceptance's conduct poses risks to consumers." The order then stated that "World Acceptance's conduct presents four such risks":

- "First, the CFPB ***has reasonable cause to determine that World Acceptance does not adequately explain to its customers that the insurance coverage World Acceptance offers is optional***, which may ***cause consumers to be deceived or misled into purchasing coverage they do not want or need***.
- "Second, the CFPB ***has reasonable cause to determine that World Acceptance engages in excessive, harassing, and coercive collection practices*** that, in some cases, ***may jeopardize consumers' employment or cause significant emotional distress***."
- "Third, the CFPB ***has reasonable cause to determine that World Acceptance furnishes inaccurate information to consumer reporting agencies or fails to adequately respond to consumer disputes regarding the accuracy of information it has furnished***, which may negatively impact consumers' credit scores and thereby restrict their access to credit."
- Fourth, the CFPB has reasonable cause to determine ***that World Acceptance's business model relies on serially refinancing its loans, a practice that may harm consumers in a variety of ways.*** Each of these risks alone is a sufficient basis to exercise the CFPB's supervision authority pursuant to section 1024(a)(1)(C).

  (Emphasis added).

45. The Order then stated the following regarding insurance coverage that World Acceptance sells to consumers:

> Consumer complaints submitted to the CFPB provide reasonable cause to determine that World Acceptance does not adequately explain the terms of its loans to many of its customers. ***Of the most concern, consumers complain that World Acceptance hides within its loan agreements expensive and unwanted insurance products or that World Acceptance misleads consumers into believing that these unwanted insurance products are mandatory***.
>
> [One consumer] submitted a complaint to the CFPB explaining that she "never knew" that various insurance products had been added to her account. The consumer's loan contract ***included five different insurance policies with premiums totaling $124.38. According to the consumer, she later developed health issues that required her to take time off work. As a result, she defaulted on the loan***. A World Acceptance employee later told her that she could have avoided default by filing a claim on the insurance coverage she purchased when she took out her loan, but the consumer had not filed a claim because she did not realize she had purchased the policy. By the time she was advised of her coverage, it was "too late." Another consumer stated that she was ***"presented with a loan application that included all types of unnecessary insurances [. . .]" and that World Acceptance's employees were "forceful and rude" when she inquired about the additional charges***. This consumer successfully had the unwanted insurance products removed from her loan, but wrote to the CFPB to express concern that World Acceptance misleads other consumers: "***This company should be***

> ***investigated for loan sharking and taking advantage [] of low income people*** who have little or no options. It[‘s] really sad people like this exist. ***I can defend myself but what about the old person on a fixed income or the single parent or the [veteran]. These people make a living scavenging on the poor***.”
>
> Moreover, World Acceptance, based on the available evidence, ***does not appear to include the cost of unwanted insurance products in its calculation of the annual percentage rate it discloses to consumers even when consumers are led to believe that the insurance products are mandatory***.
>
> (Emphasis added and internal citations omitted).

46. The Order stated the following under the heading “The Risk of Harmful Collection Practices”: “Consumer complaints submitted to the CFPB provide reasonable cause to determine that ***World Acceptance harasses and embarrasses defaulted borrowers in order to collect on its loans***.” (Emphasis added). Further, the order stated that “[c]onsumers have complained about three general categories of potentially harmful collection practices”:

- “First, consumers have complained that World Acceptance ***has contacted them at their places of employment or contacted their employers, even after being told not to do so***.”
- “Second, consumers have complained that World Acceptance ***has contacted friends, family members, and other third parties***.”
- “Third, consumers have complained about a variety of other excessive and harassing tactics.”

(Emphases added).

47. The Order provided the following regarding World Acceptance’s tactics in contacting employers:

> [Consumers] have complained that World Acceptance contacted their employers directly. One consumer said that World Acceptance ***“repeatedly called” their workplace and provided the consumer’s coworkers information about their loan “that should be private."*** Another consumer said that World Acceptance ***"has called my place of work and asked for my boss then hung-up multiple times."***
>
> (Emphasis added).

48. The Order further stated that "consumers have complained that World Acceptance has disclosed their debts to friends and family members in an effort to embarrass consumers into making a payment." To illustrate, the Order stated that "one consumer complained that World Acceptance called a family member twice, ***'one time leaving a voicemail stating that they are about to sue me and wanted to know if I had a lawyer.'"*** (Emphasis added). Further, "[a]nother consumer stated that she was unable to pay her loan because she lost her [job], that she had 'repeatedly asked World Acceptance to stop contacting third parties, but, nonetheless, ***World Acceptance continued to call her daughter "every [] day."*** (Emphasis added). Finally, according to the Order, another consumer said that "instead of trying to work with me," World Acceptance called "family and friends several times a day", to the point that the consumer's family members "had to block their number(s)."

49. The Order detailed other inappropriate and harassing behavior that was conducted by World Acceptance employees. The Order stated that "[o]ne consumer said he was 'cussed out' by a World Acceptance employee." The Order stated that ***"[a]nother consumer said she was cornered by a World Acceptance employee at a high school football game, the employee 'stared [her] down'", and that the employee "then told others at the game that the consumer was a 'no good piece of [redacted from Order]."*** (Emphasis added). The Order stated that that particular consumer had "said she complained to World Acceptance, but that World Acceptance said it would only investigate once she 'made a payment' and that if she did not make a payment, ***World Acceptance would 'hunt [her] down***.'" (Emphasis added).

50. The Order stated that World Acceptance had never discussed or contested "any of the consumer complaints pertaining to its collection practices" in its briefing after the CFPB initiated the proceeding, which culminated in the Order.

51. The Order had a section regarding the risk of inaccurate credit reporting. In pertinent part, the Order stated that "***consumer complaints submitted to the CFPB provide reasonable cause to determine that World Acceptance has furnished inaccurate information to consumer reporting agencies*** and has failed to adequately respond to consumer disputes regarding the accuracy of information it has furnished." (Emphasis added). Specifically, the Order stated that the CFPB had "received ***more than 210 consumer complaints relating to World Acceptance's obligations as a furnisher during the period from September 1, 2019 through September 21, 2022***." (Emphasis added).

52. The Order detailed the different ways in which World Acceptance has reported inaccurate information to consumer reporting agencies:

- "Consumers complained that World Acceptance ***inaccurately reported information about loans that the consumer had already paid in full***."
- "Some consumers complained that World Acceptance ***inaccurately reported late payments***."
- "[Several] consumers complained that World Acceptance ***reported information to the consumer reporting agencies about fraudulent loans that were opened through identity theft***."

(Emphasis added).

53. When consumers do dispute the accuracy of information that World Acceptance reports to consumer reporting agencies, the Order states that "World Acceptance failed to adequately resolve their disputes." For example, the Order stated a "consumer stated that he had been disputing World Acceptance's inaccurate credit reporting for more than a year 'and it still has not been resolved.'"

54. The Order detailed risks related to serial refinancing. It specifically stated the following:

> ***The frequent or recurrent refinancing of an entity's own loans can pose risks to consumers and, in some circumstances, may suggest that the entity's practices violate***

> ***the CFPA***. The CFPA's prohibition on abusive acts or practices includes taking unreasonable advantage of consumer's lack of understanding or inability to protect their interests. ***When Congress formulated the CFPA, one of its main concerns was financial products and services that allow creditors to profit from borrowers who are unable to fulfill their loan obligations***. Before the 2007-2008 financial crisis, mortgage lenders were willing to make loans on terms that people could not afford in part due to the ability to off-load default risk into the secondary market. In response, "Congress ***prohibited certain abusive business models and other acts or practices that—contrary to many consumer finance relationships where the company benefits from consumer success—misalign incentives and generate benefit for a company when people are harmed***."
>
> As the CFPB has previously observed, ***if a consumer lacks understanding or an ability to protect their interests, in many circumstances "it is unreasonable for an entity to benefit from, or be indifferent to, negative consumer consequences resulting" from that lack of understanding or inability to protect***. If consumers lacked understanding of the likelihood or consequences of needing to refinance, or if people lacked the monetary means to protect their interests by making timely payments without refinancing, a business model that benefits from the hardship resulting from recurrent refinancings could constitute an abusive act or practice."
>
> (Emphasis added).

55. The Order stated that "[t]here is reasonable cause to determine that World Acceptance's refinancing practices pose risks to consumers. Refinancing loans is a core part of World Acceptance's business model." Further, the Order noted that "[i]n the 2023 fiscal year, 71.4% of World Acceptance's loan originations 'were refinancings of existing loans,' that World Acceptance 'allows refinancings of delinquent loans', and that World Acceptance has noted that the "majority of [its] consumer loans are refinanced."

56. The Order stated the following about risks presented to consumers by "World Acceptance's practice of serially refinancing its loans":

> There is reasonable cause to determine that repeated loan refinancing extends the amount of time that a consumer is in debt and can trap consumers in a cycle of debt. There is also reasonable cause to determine that, when a consumer refinances a loan, the consumer will incur additional fees and charges, including a new origination fee, which increase the overall cost of credit. Relatedly, there is reasonable cause to determine that, when a consumer refinances, the consumer will be pressured or misled into purchasing unwanted insurance coverage or other ancillary products, yet again, which increases the

> consumers overall costs, sometimes substantially. Finally, there is also reasonable cause to determine that consumers will not understand the consequences of refinancing, including how the decision to refinance affects the costs of credit and the maturity of the loans, and that World Acceptance's sales representatives will engage in sales tactics to pressure borrowers to refinance and, in doing so, obscure the loan renewal terms or withhold information about alternative payment options.

57. The Order stated that consumer complaints which had been submitted to the CFPB support the conclusion that "there is reasonable cause" to determine that the risks outlined in ¶ 41 "exist". The Order stated that "[s]everal consumers ***have complained that World Acceptance aggressively pressured them to refinance and, in the process, obscured the cost of refinancing***." (Emphasis added). The Order stated that "one consumer alleged that she was pressured into refinancing and told that refinancing "'would not amount to much more in charges, but the consumer was later surprised to learn that the refinancing resulted in significant new charges and fees." That consumer was quoted in the Order as saying that the situation was "really stressing [her] out".

58. Then, on February 26, 2024, during market hours, American Banker published an article entitled "CFPB finds 'cause' to supervise installment lender World Acceptance."

59. This article stated the following:

> Installment lender World Acceptance Corp. is back in the crosshairs of the Consumer Financial Protection Bureau.
>
> On Friday the CFPB said that ***for the first time it was invoking a special authority that allows it to supervise nonbank financial firms that pose a risk to consumers***. The CFPB determined that it has "reasonable cause" to supervise World Acceptance due to consumer complaints about the way the company markets, sells and bundles loans with insurance products.
>
> * * *
>
> The order mandating supervision was signed by CFPB Director Rohit Chopra in November but was released publicly because World Acceptance has contested the CFPB's findings.
>
> * * *

In the current order, ***the CFPB based its findings on consumer complaints about World Acceptance***, which offers personal loans ranging from $500 to $6,000 through 1,000 branches in 16 states.

Consumers alleged that they were forced to buy insurance believing it was mandatory in order to get a loan, or they never knew they had purchased insurance at all. Consumers also complained that the loan terms did not include the cost of the insurance or that they did not understand the true cost of their loan. ***The CFPB cited the various complaints made to its database as grounds for establishing "reasonable cause" to begin supervising the company.***

World Acceptance had $1.4 billion in outstanding balances on 600,000 loans as of March 31, 2023. The average balance on a loan was roughly $2,000 with an average annual interest rate of 46%. World Acceptance earns most of its revenue from interest and fees on installment loans, but the company also sells ancillary add-on products including insurance, roadside assistance memberships and tax preparation services, which are bundled into consumers' loan amounts, the bureau said.

Roughly 70% of the company's loans are refinancings of existing loans, the CFPB said in the order. ***The bureau has long been concerned with consumers getting trapped in a cycle of debt within the small-dollar lending industry, officials there have said over the years***.

(Emphasis added).

60. On this news, the price of World Acceptance stock declined by $11.23, or 8.65%, on February 26, 2024, damaging investors.

61. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's common shares, Plaintiff and other Class members have suffered significant losses and damages.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

62. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons other than defendants who acquired World Acceptance securities publicly traded on the NASDAQ during the Class Period, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of World Acceptance, members of the Individual Defendants'

immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

63. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, World Acceptance securities were actively traded on NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds, if not thousands of members in the proposed Class.

64. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

65. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

66. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the Exchange Act was violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business and financial condition of World Acceptance;
- whether Defendants' public statements to the investing public during the Class Period omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

- whether the Defendants caused World Acceptance to issue false and misleading filings during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false filings;
- whether the prices of World Acceptance securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

67. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

68. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- World Acceptance shares met the requirements for listing, and were listed and actively traded on NASDAQ, an efficient market;
- As a public issuer, World Acceptance filed periodic public reports;
- World Acceptance regularly communicated with public investors via established market communication mechanisms, including through the regular dissemination of press releases via major newswire services and through other wide-ranging

public disclosures, such as communications with the financial press and other similar reporting services;

- World Acceptance's securities were liquid and traded with moderate to heavy volume during the Class Period; and
- World Acceptance was followed by a number of securities analysts employed by major brokerage firms who wrote reports that were widely distributed and publicly available.

69. Based on the foregoing, the market for World Acceptance securities promptly digested current information regarding World Acceptance from all publicly available sources and reflected such information in the prices of the shares, and Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

70. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information as detailed above.

COUNT I
For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder
Against All Defendants

71. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

72. This Count is asserted against Defendants is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

73. During the Class Period, Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or

deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

74. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- employed devices, schemes and artifices to defraud;
- made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of World Acceptance securities during the Class Period.

75. Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of World Acceptance were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These defendants by virtue of their receipt of information reflecting the true facts of World Acceptance, their control over, and/or receipt and/or modification of World Acceptance's allegedly materially misleading statements, and/or their associations with the Company which made them privy to confidential proprietary information concerning World Acceptance, participated in the fraudulent scheme alleged herein.

76. Individual Defendants, who are the senior officers and/or directors of the Company, had actual knowledge of the material omissions and/or the falsity of the material

statements set forth above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other World Acceptance personnel to members of the investing public, including Plaintiff and the Class.

77. As a result of the foregoing, the market price of World Acceptance securities was artificially inflated during the Class Period. In ignorance of the falsity of Defendants' statements, Plaintiff and the other members of the Class relied on the statements described above and/or the integrity of the market price of World Acceptance securities during the Class Period in purchasing World Acceptance securities at prices that were artificially inflated as a result of Defendants' false and misleading statements.

78. Had Plaintiff and the other members of the Class been aware that the market price of World Acceptance securities had been artificially and falsely inflated by Defendants' misleading statements and by the material adverse information which Defendants did not disclose, they would not have purchased World Acceptance securities at the artificially inflated prices that they did, or at all.

79. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the Class have suffered damages in an amount to be established at trial.

80. By reason of the foregoing, Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the plaintiff and the other members of the Class for substantial damages which they suffered in connection with their purchase of World Acceptance securities during the Class Period.

COUNT II
Violations of Section 20(a) of the Exchange Act
Against the Individual Defendants

81. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

82. During the Class Period, the Individual Defendants participated in the operation and management of World Acceptance, and conducted and participated, directly and indirectly, in the conduct of World Acceptance's business affairs. Because of their senior positions, they knew the adverse non-public information about World Acceptance's false financial statements.

83. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to World Acceptance's financial condition and results of operations, and to correct promptly any public statements issued by World Acceptance which had become materially false or misleading.

84. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which World Acceptance disseminated in the marketplace during the Class Period concerning World Acceptance's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause World Acceptance to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of World Acceptance within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of World Acceptance securities.

85. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by World Acceptance.

PRAYER FOR RELIEF

WHEREFORE, plaintiff, on behalf of himself and the Class, prays for judgment and relief as follows:

(a) declaring this action to be a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead Counsel;

(b) awarding damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, together with interest thereon;

awarding plaintiff and the Class reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) awarding plaintiff and other members of the Class such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: November 9, 2023

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