

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 **March 31, 2020**

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 **001-36589**

WILHELMINA INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

74-2781950

(I.R.S. Employer Identification No.)

200 Crescent Court, Suite 1400, Dallas, Texas

(Address of principal executive offices)

75201

(Zip Code)

(214) 661-7488

(Registrant's telephone number, including area code)

n/a

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

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, \$0.01 par value	WHLM	Nasdaq Capital Market

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
Non-accelerated filer
Emerging growth company

Accelerated filer
Smaller reporting company

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

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 May 14, 2020, the registrant had 5,157,344 shares of common stock outstanding.

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES

Quarterly Report on Form 10-Q

For the Three Months Ended March 31, 2020

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PART I

FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements
 WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (In thousands, except share data)

	(Unaudited) March 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,309	\$ 6,993
Accounts receivable, net of allowance for doubtful accounts of \$1,543 and \$1,423, respectively	8,845	9,441
Prepaid expenses and other current assets	289	243
Total current assets	<u>14,443</u>	<u>16,677</u>
Property and equipment, net of accumulated depreciation of \$4,570 and \$4,300, respectively	1,711	1,925
Right of use assets-operating	1,005	1,261
Right of use assets-finance	291	316
Trademarks and trade names with indefinite lives	8,467	8,467
Other intangibles with finite lives, net of accumulated amortization of \$8,737 and \$8,737, respectively	-	-
Goodwill	7,547	8,347
Other assets	113	115
TOTAL ASSETS	<u>\$ 33,577</u>	<u>\$ 37,108</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,377	\$ 3,815
Due to models	6,797	7,495
Lease liabilities – operating, current	982	1,055
Lease liabilities – finance, current	96	94
Term loan – current	1,119	1,257
Total current liabilities	<u>12,371</u>	<u>13,716</u>
Long term liabilities:		
Net deferred income tax liability	1,725	725
Lease liabilities – operating, non-current	121	328
Lease liabilities – finance, non-current	201	225
Term loan – non-current	695	743
Total long term liabilities	<u>2,742</u>	<u>2,021</u>
Total liabilities	<u>15,113</u>	<u>15,737</u>
Shareholders' equity:		
Common stock, \$0.01 par value, 9,000,000 shares authorized; 6,472,038 shares issued at March 31, 2020 and December 31, 2019	65	65
Treasury stock, 1,314,694 and 1,309,861 shares at March 31, 2020 and December 31, 2019, at cost	(6,371)	(6,352)
Additional paid-in capital	88,477	88,471
Accumulated deficit	(63,475)	(60,815)
Accumulated other comprehensive loss	(232)	2
Total shareholders' equity	<u>18,464</u>	<u>21,371</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 33,577</u>	<u>\$ 37,108</u>

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

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the Three Months Ended March 31, 2020 and 2019
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Revenues:		
Service revenues	\$ 14,547	\$ 20,035
License fees and other income	5	24
Total revenues	14,552	20,059
Model costs	10,606	14,476
Revenues, net of model costs	3,946	5,583
Operating expenses:		
Salaries and service costs	3,127	3,716
Office and general expenses	1,055	1,228
Amortization and depreciation	294	290
Goodwill impairment	800	-
Corporate overhead	309	332
Total operating expenses	5,585	5,566
Operating (loss) income	(1,639)	17
Other expense:		
Foreign exchange (gain) loss	(65)	15
Interest expense	27	32
Total other (income) expense	(38)	47
Loss before provision for income taxes	(1,601)	(30)
Provision for income taxes expense:		
Current	(59)	(63)
Deferred	(1,000)	(16)
Income tax expense	(1,059)	(79)
Net loss	\$ (2,660)	\$ (109)
Other comprehensive (loss) income:		
Foreign currency translation adjustment	(234)	28
Total comprehensive loss	(2,894)	(81)
Basic net loss per common share	\$ (0.52)	\$ (0.02)
Diluted net loss per common share	\$ (0.52)	\$ (0.02)
Weighted average common shares outstanding-basic	5,160	5,205
Weighted average common shares outstanding-diluted	5,160	5,205

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

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Three Months Ended March 31, 2020 and 2019
(In thousands)
(Unaudited)

	Common Shares	Stock Amount	Treasury Shares	Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balances at December 31, 2018	6,472	\$ 65	(1,264)	\$ (6,093)	\$ 88,255	\$ (56,029)	\$ (93)	\$ 26,105
Share based payment expense	-	-	-	-	64	-	-	64
Net loss to common shareholders	-	-	-	-	-	(109)	-	(109)
Purchases of treasury stock	-	-	(4)	(24)	-	-	-	(24)
Foreign currency translation	-	-	-	-	-	-	28	28
Balances at March 31, 2019	6,472	\$ 65	(1,268)	\$ (6,117)	\$ 88,319	\$ (56,138)	\$ (65)	\$ 26,064

	Common Shares	Stock Amount	Treasury Shares	Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balances at December 31, 2019	6,472	\$ 65	(1,310)	\$ (6,352)	\$ 88,471	\$ (60,815)	\$ 2	\$ 21,371
Share based payment expense	-	-	-	-	6	-	-	6
Net loss to common shareholders	-	-	-	-	-	(2,660)	-	(2,660)
Purchases of treasury stock	-	-	(5)	(19)	-	-	-	(19)
Foreign currency translation	-	-	-	-	-	-	(234)	(234)
Balances at March 31, 2020	6,472	\$ 65	(1,315)	\$ (6,371)	\$ 88,477	\$ (63,475)	\$ (232)	\$ 18,464

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

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
For the Three Months Ended March 31, 2020 and 2019
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss:	\$ (2,660)	\$ (109)
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization and depreciation	294	290
Goodwill impairment	800	-
Share based payment expense	6	64
Deferred income taxes	1,000	16
Bad debt expense	36	24
Changes in operating assets and liabilities:		
Accounts receivable	560	(1,063)
Prepaid expenses and other current assets	(46)	(105)
Right of use assets-operating	256	270
Other assets	2	(1)
Due to models	(698)	671
Lease liabilities-operating	(280)	(289)
Accounts payable and accrued liabilities	(438)	(2)
Net cash used in operating activities	<u>(1,168)</u>	<u>(234)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(56)	(95)
Net cash used in investing activities	<u>(56)</u>	<u>(95)</u>
Cash flows from financing activities:		
Purchases of treasury stock	(19)	(24)
Payments on finance leases	(21)	(27)
Repayment of term loan	(186)	(136)
Net cash used in financing activities	<u>(226)</u>	<u>(187)</u>
Foreign currency effect on cash flows:	<u>(234)</u>	<u>28</u>
Net change in cash and cash equivalents:	(1,684)	(488)
Cash and cash equivalents, beginning of period	6,993	6,748
Cash and cash equivalents, end of period	<u>\$ 5,309</u>	<u>\$ 6,260</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 24	\$ 30
Cash paid for income taxes	\$ -	\$ -

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

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The interim consolidated financial statements included herein have been prepared by Wilhelmina International, Inc. (together with its subsidiaries, "Wilhelmina" or the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Although certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to those rules and regulations, all adjustments considered necessary in order to make the consolidated financial statements not misleading have been included. In the opinion of the Company's management, the accompanying interim unaudited consolidated financial statements reflect all adjustments, of a normal recurring nature, that are necessary for a fair presentation of the Company's consolidated balance sheets, statements of operations and comprehensive loss, statements of shareholders' equity, and cash flows for the periods presented. These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019. Certain prior year amounts on the Company's consolidated statements of cash flows have been reclassified to conform to current year presentation. Results of operations for the interim periods are not necessarily indicative of results that may be expected for any other interim periods or the full fiscal year.

Note 2. Business

The primary business of Wilhelmina is fashion model management. These business operations are headquartered in New York City. The Company's predecessor was founded in 1967 by Wilhelmina Cooper, a renowned fashion model, and became one of the oldest, best known and largest fashion model management companies in the world. Since its founding, Wilhelmina has grown to include operations located in Los Angeles, Miami, Chicago and London, as well as a network of licensees in various local markets in the U.S. and internationally. Wilhelmina provides traditional, full-service fashion model and talent management services, specializing in the representation and management of models, entertainers, artists, athletes and other talent, to various clients, including retailers, designers, advertising agencies, print and electronic media and catalog companies.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a pandemic, which has spread rapidly throughout the United States and the world. The Company's revenues are heavily dependent on the level of economic activity in the United States and the United Kingdom, particularly in the fashion, advertising and publishing industries, all of which have been negatively impacted by the pandemic and may not recover as quickly as other sectors of the economy. There have been mandates from federal, state, and local authorities requiring forced closures of non-essential businesses. As a result, beginning in March 2020, the Company has seen a significant reduction in customer bookings, resulting in a negative impact to revenue and earnings.

In addition to reduced revenue, business operations have been adversely affected by reductions in productivity, limitations on the ability of customers to make timely payments, disruptions in talents' ability to travel to needed locations, and supply chain disruptions impeding clothing or footwear wardrobe from reaching destinations for photoshoots and other bookings. Many of the Company's customers are large retail and fashion companies which have had to close stores in the United States and internationally due to orders from local authorities to help slow the spread of COVID-19. Some of these customers may be unable to pay amounts already owed to the Company, resulting in increased future bad debt expense. These customers also may not emerge from the pandemic with the financial capability, or need, to purchase Wilhelmina's services to the extent that they did in previous years. Some of our model talent are currently quarantined with family far from the major cities where Wilhelmina's offices are located, and also away from where most modeling jobs take place. Many U.S. and international airlines have decreased their flight schedules which, once economic activities resume and clients increase booking requests, may make it difficult for our talent to be available when and where they are needed. While these disruptions are currently expected to be temporary, there is uncertainty around the duration.

Postponed and cancelled bookings related to the pandemic contributed significantly to reduced revenues and increased operating losses during the first quarter of 2020. Subsequent periods may show similar or greater declines until business conditions improve. Since Wilhelmina extends customary payment terms to its clients, even when bookings resume there is likely to be a lag before significant cash collections return. In the meantime, the Company will continue to have significant employee, office rent, and other expenses.

Reduced outstanding accounts receivable available as collateral under the Company's credit agreement with Amegy Bank has limited access to additional financing. Net losses in recent periods have also impacted compliance with the financial covenants under the Amegy Bank credit agreement, further impeding the Company's ability to obtain additional financing. Since the pandemic began, many stock markets, including Nasdaq Capital Market, where Wilhelmina's common stock is listed, have been volatile. A further decline in the Company's stock price would reduce our market capitalization and could require additional goodwill or intangible asset impairment writedowns.

The Company has taken the following actions to address the impact of COVID-19 and the current recessionary environment, in order to efficiently manage the business and maintain adequate liquidity and maximum flexibility:

- In April 2020, obtained \$1.9 million in loans under the Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") administered by the U.S. Small Business Administration ("SBA").
- Temporarily furloughed five employees based in Wilhelmina's London office.
- Eliminated all discretionary travel and entertainment expenses.
- Suspended share repurchases.
- Made plans not to extend the lease on one New York City model apartment when the current term ends in June, 2020.
- Suspended efforts to fill two highly compensated executive roles following the resignation of the Company's Chief Executive Officer and Vice President in early 2020.

If the current quarantines and limitations on non-essential work persist for an extended period, the Company may need to implement more significant cost savings measures.

Note 3. New Accounting Standards

In June 2016, the FASB issued *ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* ("ASU 2016-13") which amends the FASB's prior guidance on the impairment of financial instruments. The ASU adds to GAAP an impairment model (known as the "current expected credit loss model") that is based on expected losses rather than incurred losses. ASU 2016-13 becomes effective for the Company for annual reporting periods ending after December 15, 2022, including interim periods within those fiscal years. The adoption of ASU 2016-13 is not expected to have a material impact on the Company's financial position and its consolidated financial statements.

In January 2017, the FASB issued *ASU No. 2017-03 "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment"* ("ASU 2017-03") effective for periods beginning after December 15, 2019. The ASU requires only a one-step qualitative impairment test, whereby a goodwill impairment loss will be measured as the excess of a reporting unit's carrying amount over its fair value. It eliminates Step 2 of the prior two-step goodwill impairment test, under which a goodwill impairment loss was measured by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The adoption of ASU No. 2017-03 did not have a material impact on the results of the Company's goodwill impairment testing procedures.

In November 2018, the FASB issued *ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments-Credit Losses"* ("ASU 2018-19"), which clarifies that receivables arising from operating leases are not within the scope of the credit losses standard, but rather, should be accounted for in accordance with the lease standard. ASU 2018-19 became effective for the Company for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The adoption of ASU 2018-19 did not have a material impact on the Company's financial position and its consolidated financial statements.

Note 4. Foreign Currency Translation

The functional currency of our subsidiary in the United Kingdom is the British Pound. Assets and liabilities are translated into U.S. dollars at the exchange rates in effect at each balance sheet date, revenues and expenses are translated at average monthly exchange rates, and resulting translation gains or losses are accumulated in other comprehensive income as a separate component of shareholders' equity.

Note 5. Debt

The Company has a credit agreement with Amegy Bank which provides a \$4.0 million revolving line of credit and previously provided up to a \$3.0 million term loan which could be drawn through October 24, 2016. Amounts outstanding under the term loan reduce the availability under the revolving line of credit. The revolving line of credit is also subject to a borrowing base derived from 80% of eligible accounts receivable (as defined) and the Company's minimum net worth covenant of \$20.0 million. The revolving line of credit bears interest at prime plus 0.50% payable monthly. As of March 31, 2020, the Company had a \$0.2 million irrevocable standby letter of credit outstanding under the revolving line of credit and had additional borrowing capacity of \$2.0 million.

On August 16, 2016, the Company drew \$2.7 million of the term loan and used the proceeds to fund the purchase of shares of its common stock in a private transaction. The term loan bears interest at 4.5% per annum and payable in monthly payments of interest only until November, 2016, followed by 47 equal monthly payments of principal and interest computed on a 60-month amortization schedule and a final payment of principal and interest due on October 24, 2020.

On July 16, 2018, the Company amended its Credit Agreement with Amegy Bank to provide for an additional term loan of up to \$1.0 million that could be drawn by the Company through July 12, 2019, for the purpose of repurchases of its common stock. The additional term loan is evidenced by a promissory note bearing interest at 5.15% per annum and payable in monthly installments of interest only through July 12, 2019. Thereafter, the note is payable in monthly installments sufficient to fully amortize the outstanding principal balance in 60 months with the balance of principal and accrued interest due on July 12, 2023. The amendment also revised the calculation of the fixed charge coverage ratio for the three quarters following the maturity date of the previous term loan.

Amounts outstanding under the additional term loan further reduce the availability under the Company's revolving line of credit with Amegy Bank. On August 1, 2018, the Company drew \$0.7 million of the additional term loan and used the proceeds to fund the purchase of 100,000 shares of its common stock in a private transaction. On December 12, 2018, the Company drew \$0.3 million of the additional term loan and used the proceeds to partially fund a purchase of 50,000 shares of its common stock in a private transaction. As of March 31, 2020, a total of \$1.8 million was outstanding on the two term loans.

Reduced outstanding accounts receivable available as collateral under the Company's credit agreement with Amegy Bank has limited access to additional financing. Net losses in recent periods have also impacted compliance with the financial covenants under the Amegy Bank credit agreement, further impeding the Company's ability to obtain additional financing. On March 26, 2020, the Company entered into a Thirteenth Amendment to Credit Agreement (the "Thirteenth Amendment") with ZB, N.A. dba Amegy Bank. The Thirteenth Amendment amended the minimum net worth covenant to require the Company to maintain tangible net worth (as defined therein) of \$4.0 million, determined on a quarterly basis. Under the Thirteenth Amendment, Amegy Bank also waived an existing default caused by the Company's failure to satisfy the old minimum net worth covenant as of December 31, 2019. On May 12, 2020, the Company entered into a Fourteenth Amendment to Credit Agreement (the "Fourteenth Amendment") with ZB, N.A. dba Amegy Bank. The Fourteenth Amendment amended the line of credit to reduce the maximum borrowing capacity to \$3.0 million. Under the Fourteenth Amendment, Amegy Bank also waived an existing default caused by the Company's failure to satisfy both the minimum fixed charge coverage ratio through March 31, 2020 and minimum tangible net worth as of March 31, 2020. Current economic conditions make it likely that the Company will require additional waivers in subsequent periods of 2020.

Note 6. Commitments and Contingencies

On October 24, 2013, a putative class action lawsuit was brought against the Company by former Wilhelmina model Alex Shanklin and others, including Louisa Raske, Carina Vretman, Grecia Palomares and Michelle Griffin Trotter (the "Shanklin Litigation"), in New York State Supreme Court (New York County) by the same lead counsel who represented plaintiffs in a prior, now-dismissed action brought by Louisa Raske (the "Raske Litigation"). The claims in the Shanklin Litigation initially included breach of contract and unjust enrichment allegations arising out of matters similar to the Raske Litigation, such as the handling and reporting of funds on behalf of models and the use of model images. Other parties named as defendants in the Shanklin Litigation include other model management companies, advertising firms, and certain advertisers. On January 6, 2014, the Company moved to dismiss the Amended Complaint in the Shanklin Litigation for failure to state a claim upon which relief can be granted and other grounds, and other defendants also filed motions to dismiss. On August 11, 2014, the court denied the motion to dismiss as to Wilhelmina and other of the model management defendants. Separately, on March 3, 2014, the judge assigned to the Shanklin Litigation wrote the Office of the New York Attorney General bringing the case to its attention, generally describing the claims asserted therein against the model management defendants, and stating that the case "may involve matters in the public interest." The judge's letter also enclosed a copy of his decision in the Raske Litigation, which dismissed that case.

Plaintiffs retained substitute counsel, who filed a Second and then Third Amended Complaint. Plaintiffs' Third Amended Complaint asserts causes of action for alleged breaches of the plaintiffs' management contracts with the defendants, conversion, breach of the duty of good faith and fair dealing, and unjust enrichment. The Third Amended Complaint also alleges that the plaintiff models were at all relevant times employees, and not independent contractors, of the model management defendants, and that defendants violated the New York Labor Law in several respects, including, among other things, by allegedly failing to pay the models the minimum wages and overtime pay required thereunder, not maintaining accurate payroll records, and not providing plaintiffs with full explanations of how their wages and deductions therefrom were computed. The Third Amended Complaint seeks certification of the action as a class action, damages in an amount to be determined at trial, plus interest, costs, attorneys' fees, and such other relief as the court deems proper. On October 6, 2015, Wilhelmina filed a motion to dismiss as to most of the plaintiffs' claims. The Court entered a decision granting in part and denying in part Wilhelmina's motion to dismiss on May 26, 2017. The Court (i) dismissed three of the five New York Labor Law causes of action, along with the conversion, breach of the duty of good faith and fair dealing and unjust enrichment causes of action, in their entirety, and (ii) permitted only the breach of contract causes of action, and some plaintiffs' remaining two New York Labor Law causes of action to continue, within a limited time frame. The plaintiffs and Wilhelmina each appealed, and the decision was affirmed on May 24, 2018. On August 16, 2017, Wilhelmina timely filed its Answer to the Third Amended Complaint.

On June 6, 2016, another putative class action lawsuit was brought against the Company by former Wilhelmina model Shawn Pressley and others, including Roberta Little (the "Pressley Litigation"), in New York State Supreme Court (New York County) by the same counsel representing the plaintiffs in the Shanklin Litigation, and asserting identical, although more recent, claims as those in the Shanklin Litigation. The Amended Complaint, asserting essentially the same types of claims as in the Shanklin action, was filed on August 16, 2017. Wilhelmina filed a motion to dismiss the Amended Complaint on September 29, 2017, which was granted in part and denied in part on May 10, 2018. Some New York Labor Law and contract claims remain in the case. Pressley has withdrawn from the case, leaving Roberta Little as the sole remaining named plaintiff in the Pressley Litigation. On July 12, 2019, the Company filed its Answer and Counterclaim against Little.

On May 1, 2019, the Plaintiffs in the Shanklin Litigation (except Raske) and the Pressley Litigation filed motions for class certification on their contract claims and the remaining New York Labor Law Claims. On July 12, 2019, Wilhelmina filed its opposition to the motions for class certification and filed a cross-motion for summary judgment against Shanklin, Vretman, Palomares, Trotter and Little, and a motion for summary judgment against Raske. Wilhelmina's reply papers in further support of its summary judgment motions were filed on October 23, 2019. The motions for class certification and summary judgment were argued on December 4, 2019, and the parties are awaiting decision.

The Company believes the claims asserted in the Shanklin and Pressley Litigations are without merit and intends to continue to vigorously defend the actions.

In addition to the legal proceedings disclosed herein, the Company is also engaged in various legal proceedings that are routine in nature and incidental to its business. None of these routine proceedings, either individually or in the aggregate, are believed likely, in the Company's opinion, to have a material adverse effect on its consolidated financial position or its results of operations.

Note 7. Income Taxes

Generally, the Company's combined effective tax rate is high relative to reported net income as a result of certain amortization expense, stock based compensation, and corporate overhead not being deductible and income being attributable to certain states in which it operates. In recent years, the majority of taxes being paid by the Company were state and foreign taxes, not federal U.S. taxes. The Company operates in four states which have relatively high tax rates: California, New York, Illinois, and Florida. Realization of net operating loss carryforwards, foreign tax credits, and other deferred tax temporary differences are contingent upon future taxable earnings. The Company's deferred tax assets were reviewed for expected utilization by assessing the available positive and negative factors surrounding its recoverability, including projected future taxable income, tax-planning strategies, and results of recent operations. A valuation allowance is recorded when it is more likely than not that a deferred tax asset will not be realized. As of March 31, 2020, due primarily to the effects of the COVID-19 pandemic and its impact on our business, the Company believes it is more likely than not that the benefit from deferred tax assets will not be realized. During the three months ended March 31, 2020, the Company recorded a \$1.2 valuation allowance on its deferred tax assets and released a \$0.3 million valuation allowance on other deferred tax assets relating to the forfeiture of stock options held by the Company's former Chief Executive Officer. At March 31, 2020, the Company maintained a \$1.2 million valuation allowance against its deferred tax assets. The Company will continue to assess the assumptions used to determine the amount of our valuation allowance and may adjust the valuation allowance in future periods based on changes in assumptions of estimated future income and other factors.

Note 8. Treasury Stock

During 2012, the Board of Directors authorized a stock repurchase program whereby the Company could repurchase up to 500,000 shares of its outstanding common stock. During 2013, the Board of Directors renewed and extended the Company's share repurchase authority to enable it to repurchase up to an aggregate of 1,000,000 shares of common stock. In 2016, the Board of Directors increased by an additional 500,000 shares the number of shares of the Company's common stock that may be repurchased under its stock repurchase program to an aggregate of 1,500,000 shares. The shares may be repurchased from time to time in the open market or through privately negotiated transactions at prices the Company deems appropriate. The program does not obligate the Company to acquire any particular amount of common stock and may be modified or suspended at any time at the Company's discretion.

From 2012 through March 31, 2020, the Company has repurchased 1,314,694 shares of common stock at an average price of approximately \$4.85 per share, for a total of approximately \$6.4 million in repurchases under the stock repurchase program. During the first three months of 2020, 4,833 shares were repurchased under the stock repurchase program for approximately \$20 thousand. The repurchase of an additional 185,306 shares is presently authorized under the stock repurchase program. Due to COVID-19, the Company has temporarily suspended further share repurchases to preserve liquidity.

Note 9. Related Parties

The Executive Chairman of the Company, Mark E. Schwarz, is also the chairman, chief executive officer and portfolio manager of Newcastle Capital Management, L.P. ("NCM"). NCM is the general partner of Newcastle Partners L.P. ("Newcastle"), which is the largest shareholder of the Company. James Dvorak (Managing Director at NCM) also serves as a director of the Company.

The Company's corporate headquarters are located at 200 Crescent Court, Suite 1400, Dallas, Texas 75201, which are also the offices of NCM. The Company occupies a portion of NCM space on a month-to-month basis at \$2.5 thousand per month, pursuant to a services agreement entered into between the parties. Pursuant to the services agreement, the Company receives the use of NCM's facilities and equipment and accounting, legal and administrative services from employees of NCM. The Company incurred expenses pursuant to the services agreement totaling approximately \$8 thousand for the three months ended both March 31, 2020 and 2019. The Company did not owe NCM any amounts under the services agreement as of March 31, 2020.

Note 10. Goodwill

In March 2020, the Company determined that recent declines in revenue, COVID-19 impacts on our retail clients, and declines in its stock price triggered the requirement for goodwill impairment testing. The results of the impairment test indicated that the carrying value of goodwill exceeded its estimated fair value. As a result, during March 2020, the Company recorded an impairment charge of \$0.8 million related to its goodwill. Further declines in the Company's stock price could result in additional goodwill impairment charges.

No asset impairment charges were incurred during the first quarter of 2019.

Note 11. Subsequent Events

On April 15, 2020, Wilhelmina International, Ltd. (the "Borrower"), a wholly-owned subsidiary of Wilhelmina International, Inc. (the "Company"), executed a Business Loan Agreement and a Promissory Note each dated April 13, 2020 (collectively, the "Sub PPP Loan Documents"), with respect to a loan in the amount of \$1.8 million (the "Sub PPP Loan") from Zions Bancorporation, N.A. dba Amegy Bank ("Amegy"). The Sub PPP Loan was obtained pursuant to the Paycheck Protection Program of the CARES Act administered by the U.S. Small Business Administration. The Sub PPP Loan matures on April 13, 2022 and bears interest at a rate of 1.00% per annum. The Sub PPP Loan is payable in 18 equal monthly payments of \$104 thousand commencing November 13, 2020.

On April 18, 2020, the Company executed a Business Loan Agreement and a Promissory Note each dated April 17, 2020 (collectively, the "Parent PPP Loan Documents"), with respect to a loan in the amount of \$128 thousand (the "Parent PPP Loan") from Amegy. The Parent PPP Loan was also obtained pursuant to the PPP. The Parent PPP Loan matures on April 17, 2022 and bears interest at a rate of 1.00% per annum. The Parent PPP Loan is payable in 18 equal monthly payments of \$7 thousand commencing November 13, 2020.

Both the Sub PPP Loan and the Parent PPP Loan (collectively, the "PPP Loans") may be prepaid at any time prior to maturity with no prepayment penalties. Both the Sub PPP Loan Documents and the Parent PPP Loan Documents (collectively, the "PPP Loan Documents") contain various provisions related to the PPP, as well customary representations, warranties, covenants, events of default and other provisions. Neither of the PPP Loans is secured by either the Borrower or the Company, and both are guaranteed by the SBA. All or a portion of the PPP Loans may be forgiven by the SBA upon application by the Borrower or the Company, respectively, accompanied by documentation of expenditures in accordance with the SBA requirements under the PPP. In the event all or any portion of the PPP Loans is forgiven, the amount forgiven is applied to outstanding principal.

On May 12, 2020, the Company entered into a Fourteenth Amendment to Credit Agreement (the "Fourteenth Amendment") with ZB, N.A. dba Amegy Bank. The Fourteenth Amendment amended the line of credit to reduce the maximum borrowing capacity to \$3.0 million. Under the Fourteenth Amendment, Amegy Bank also waived an existing default caused by the Company's failure to satisfy both the minimum fixed charge coverage ratio through March 31, 2020 and minimum tangible net worth as of March 31, 2020. Current economic conditions make it likely that the Company will require additional waivers in subsequent periods of 2020.

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

The following is a discussion of the interim unaudited consolidated financial condition and results of operations for the Company and its subsidiaries for the three months ended March 31, 2020 and 2019. It should be read in conjunction with the financial statements of the Company, the notes thereto and other financial information included elsewhere in this report, and the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain “forward-looking” statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. Such forward looking statements relating to the Company and its subsidiaries are based on the beliefs of the Company’s management as well as information currently available to the Company’s management. When used in this report, the words “anticipate,” “believe,” “estimate,” “expect” and “intend” and words or phrases of similar import, as they relate to the Company or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitation, competitive factors, general economic conditions, the interest rate environment, governmental regulation and supervision, seasonality, changes in industry practices, one-time events and other factors described herein and in other filings made by the Company with the SEC. Should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not undertake any obligation to publicly update these forward-looking statements. As a result, you should not place undue reliance on these forward-looking statements.

OVERVIEW

The Company’s primary business is fashion model management and complementary business activities. The business of talent management firms, such as Wilhelmina, depends heavily on the state of the advertising industry, as demand for talent is driven by Internet, print and television advertising campaigns for consumer goods and retail clients. Wilhelmina believes it has strong brand recognition, which enables it to attract and retain top agents and talent to service a broad universe of clients. In order to take advantage of these opportunities and support its continued growth, the Company will need to continue to successfully allocate resources and staffing in a way that enhances its ability to respond to new opportunities. The Company continues to focus on tightly managing costs, recruiting top agents when available, and scouting and developing new talent.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a pandemic, which has spread rapidly throughout the United States and the world. The Company’s revenues are heavily dependent on the level of economic activity in the United States and the United Kingdom, particularly in the fashion, advertising and publishing industries, all of which have been negatively impacted by the pandemic and may not recover as quickly as other sectors of the economy. There have been mandates from federal, state, and local authorities requiring forced closures of non-essential businesses. As a result, beginning in March 2020, the Company has seen a significant reduction in customer bookings, resulting in a negative impact to revenue and earnings.

In addition to reduced revenue, business operations have been adversely affected by reductions in productivity, limitations on the ability of customers to make timely payments, disruptions in talents’ ability to travel to needed locations, and supply chain disruptions impeding clothing or footwear wardrobe from reaching destinations for photoshoots and other locations. Many of our customers are large retail and fashion companies, which have had to close stores in the United States and internationally due to orders from local authorities to help slow the spread of COVID-19. Some of these customers may be unable to pay amounts already owed to the Company, resulting in increased future bad debt expense. These customers also may not emerge from the pandemic with the financial capability, or need, to purchase Wilhelmina’s services to the extent that they did in previous years. Some of our model talent are currently quarantined with family far from the major cities where Wilhelmina’s offices are located, and also away from where most modeling jobs take place. Many U.S. and international airlines have decreased their flight schedules, which, once economic activities resume and clients increase booking requests, may make it difficult for our talent to be available when and where they are needed. While these disruptions are currently expected to be temporary, there is uncertainty around the duration.

Postponed and cancelled bookings related to the pandemic contributed significantly to reduced revenues and increased operating losses in the first quarter of 2020. Subsequent periods may show similar or greater declines until business conditions improve. Since Wilhelmina extends customary payment terms to its clients, even when bookings resume there is likely to be a lag before significant cash collections return. In the meantime, the Company will continue to have significant employee, office rent, and other expenses.

Reduced outstanding accounts receivable available as collateral under our credit agreement with Amegy Bank has limited our access to additional financing. Net losses in recent periods have also impacted compliance with the covenants under the Amegy Bank credit agreement, further impeding our ability to obtain additional financing. Since the pandemic began, many stock markets, including Nasdaq Capital Market, where Wilhelmina's common stock is listed, have been volatile. A further decline in the Company's stock price would reduce our market capitalization and could require additional goodwill or intangible asset impairment writedowns.

In response to the outbreak, we have prioritized the health and safety of our employees. We have temporarily closed our offices, which will remain closed until it is deemed safe to reopen, consistent with local orders. Most employees are currently working remotely and have been able to successfully conduct business, despite very few customers currently booking jobs.

The Company has taken the following actions to address the impact of COVID-19 and the current recessionary environment, in order to efficiently manage the business and maintain adequate liquidity and maximum flexibility:

- In April 2020, obtained \$1.9 million in loans under the Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") administered by the U.S. Small Business Administration ("SBA").
- Temporarily furloughed five employees based in Wilhelmina's London office.
- Eliminated all discretionary travel and entertainment expenses.
- Suspended share repurchases.
- Made plans not to extend the lease on one New York City model apartment when the current term ends in June, 2020.
- Suspended efforts to fill two highly compensated executive roles following the resignation of the Company's Chief Executive Officer and Vice President in early 2020.

If the current quarantines and limitations on non-essential work persist for an extended period, the Company may need to implement more significant cost savings measures.

Trends and Opportunities

The Company expects that the combination of Wilhelmina's main operating base in New York City, the industry's capital, with the depth and breadth of its talent pool and client roster and its diversification across various talent management segments, together with its geographical reach, should make Wilhelmina's operations more resilient to industry changes and economic swings than those of many of the smaller firms operating in the industry.

With total annual advertising expenditures on major media (newspapers, magazines, television, cinema, outdoor and Internet) exceeding approximately \$200 billion in recent years, North America is by far the world's largest advertising market. For the fashion talent management industry, including Wilhelmina, advertising expenditures on magazines, television, Internet and outdoor are of particular relevance.

In recent periods, traditional retail clients in the fashion and beauty industry have had increased competition from digital, social, and new media, reducing their budgets for advertising and model talent. Wilhelmina reviews the mix of talent and resources available to best operate in the changing environment.

Although Wilhelmina has a large and diverse client base, it is not immune to global economic conditions. The Company closely monitors economic conditions, client spending, and other industry factors and continually evaluates opportunities to increase its market share and further expand its geographic reach. There can be no assurance as to the effects on Wilhelmina of current or future economic circumstances, client spending patterns, client creditworthiness and other developments and whether, or to what extent, Wilhelmina's efforts to respond to them will be effective.

Strategy

Management's long-term strategy is to increase value to shareholders through the following initiatives:

- increase Wilhelmina's brand awareness and consideration among advertisers and potential talent;
- expand the Wilhelmina network through strategic geographic market development;
- expand the women's high end fashion board;
- expand the Aperture division's representation in commercials, film, and television;
- expand celebrity and social media influencer representation; and
- promote model search contests and events and partner on media projects (television, film, books, etc.).

Due to the ubiquity of the Internet as a standard business tool, the Company has increasingly sought to harness the opportunities of the Internet and other digital media to improve its communications with clients and to facilitate the effective exchange of fashion model and talent information. At the same time, the Internet presents challenges for the Company, including (i) the cannibalization of traditional print media businesses, and (ii) pricing pressures with respect to digital media photo shoots and client engagements.

Key Financial Indicators

In addition to net income, the key financial indicators that the Company reviews to monitor its business are revenues, model costs, operating expenses and cash flows.

The Company analyzes revenue by reviewing the mix of revenues generated by the different "boards", each a specific division of the fashion model management operations which specializes by the type of model it represents, by geographic locations and from significant clients. Wilhelmina's primary sources of revenue include: (i) revenues from principal relationships where the gross amount billed to the client is recorded as revenue when earned and collectability is reasonably assured; and (ii) separate service charges, paid by clients in addition to the booking fees, which are calculated as a percentage of the models' booking fees and are recorded as revenues when earned and collectability is reasonably assured. See "Critical Accounting Policies - Revenue Recognition."

Wilhelmina provides professional services. Therefore, salary and service costs represent the largest part of the Company's operating expenses. Salary and service costs are comprised of payroll and related costs and travel, meals and entertainment ("T&E") to deliver the Company's services and to enable new business development activities.

Analysis of Consolidated Statements of Operations and Service Revenues

(in thousands)

	Three Months Ended		% Change 2020 vs 2019
	March 31 2020	March 31 2019	
Service revenues	14,547	20,035	(27.4%)
License fees and other income	5	24	(79.2%)
TOTAL REVENUES	14,552	20,059	(27.5%)
Model costs	10,606	14,476	(26.7%)
REVENUES NET OF MODEL COSTS	3,946	5,583	(29.3%)
GROSS PROFIT MARGIN	27.1%	27.8%	
Salaries and service costs	3,127	3,716	(15.9%)
Office and general expenses	1,055	1,228	(14.1%)
Amortization and depreciation	294	290	1.4%
Goodwill Impairment	800	-	*
Corporate overhead	309	332	(6.9%)
OPERATING (LOSS) INCOME	(1,639)	17	*
OPERATING MARGIN	(11.3%)	0.0%	
Foreign exchange (gain) loss	(65)	15	*
Interest expense	27	32	(15.6%)
LOSS BEFORE INCOME TAXES	(1,601)	(30)	*
Income tax expense	(1,059)	(79)	*
Effective tax rate	-66.1%	-263.3%	
NET LOSS	(2,660)	(109)	*

* Not Meaningful

Service Revenues

The Company's service revenues fluctuate in response to its clients' willingness to spend on advertising and the Company's ability to have the desired talent available. In the first quarter of 2020, the COVID-19 pandemic had a material impact on revenues, as most bookings for the second half of March 2020 were cancelled once non-essential business activities were barred in the cities where Wilhelmina operates. The decrease of 27.4% for the three months ended March 31, 2020, when compared to the three months ended March 31, 2019, was primarily due to cancelled bookings resulting from COVID-19, a decrease in core model bookings, and the closure of the Wilhelmina Studios division in the fourth quarter of 2019.

License Fees and Other Income

License fees and other income include franchise revenues from independently owned model agencies that use the Wilhelmina trademark and various services provided by the Company. License fees decreased by 79.2% for the three months ended March 31, 2020, when compared to three months ended March 31, 2019. The decrease was primarily due to the timing of income from licensing agreements.

Gross Profit Margin

Gross profit margin decreased by 70 basis points for the three months ended March 31, 2020, when compared to the three months ended March 31, 2019 primarily due to a larger percentage of consolidated revenue from the Aperture division in 2020, which is lower margin than traditional core model bookings.

Salaries and Service Costs

Salaries and service costs consist of payroll related costs and T&E required to deliver the Company's services to its clients and talents. The 15.9% decrease in salaries and service costs during the three months ended March 31, 2020, when compared to the three months ended March 31, 2019 was primarily the result of the closure of the Wilhelmina Studios division during the fourth quarter of 2019, open positions for two executives that resigned in January 2020 and a reduction in share based payment expense.

Office and General Expenses

Office and general expenses consist of office and equipment rents, advertising and promotion, insurance expenses, administration and technology cost. These costs are less directly linked to changes in the Company's revenues than are salaries and service costs. The decrease in office and general expenses of 14.1% for the three months ended March 31, 2020 when compared to the three months ended March 31, 2019, was primarily due to reduced legal expense, rent expense, and other office expenses, partially offset by an increase in bad debt expense.

Amortization and Depreciation

Amortization and depreciation expense is incurred with respect to certain assets, including computer hardware, software, office equipment, furniture, and certain intangibles. Amortization and depreciation expense increased by 1.4% for the three months ended March 31, 2020 compared to the three months ended March 31, 2019, primarily due to new equipment, which will be depreciated going forward, partially offset by reduced amortization of intangible assets that became fully amortized in 2019. Fixed asset purchases (mostly related to technology and computer equipment) totaled approximately \$56 thousand during the three months ended March 31, 2020, compared to \$95 thousand for the three months ended March 31, 2019.

Goodwill Impairment

As of March 31, 2020, the Company determined that declines in revenue, COVID-19 impacts on our retail clients, and recent declines in its stock price triggered the requirement for goodwill impairment testing. The impairment test indicated that the carrying value of goodwill exceeded its estimated fair value and resulted in an impairment charge of \$0.8 million. There were no impairment charges in the first quarter of 2019.

Corporate Overhead

Corporate overhead expenses include director and executive officer compensation, legal, audit and professional fees, corporate office rent, travel, and other public company costs. Corporate overhead decreased by 6.9% for the three months ended March 31, 2020, compared to the three months ended March 31, 2019, primarily due to lower corporate travel costs achieved by holding corporate meetings telephonically during the first quarter of 2020.

Operating Income and Operating Margin

Operating income decreased to a loss of \$1.6 million for the three months ended March 31, 2020, compared to operating income of \$17 thousand for the three months ended March 31, 2019. As a result, operating margin decreased to negative 11.3% for the three months ended March 31, 2020, compared to 0.0% for the three months ended March 31, 2019. In both cases, the decline was primarily the result of decreased revenue net of model costs and goodwill impairment, partially offset by lower operating expenses.

Foreign Currency Gain and Loss

The Company realized \$65 thousand of foreign currency exchange gains during the three months ended March 31, 2020, and \$15 thousand of foreign currency exchange loss during the three months ended March 31, 2019. Foreign currency gain and loss is due to fluctuations in currencies from Great Britain, Europe, and Latin America.

Interest Expense

Interest expense for the three months ended March 31, 2020 and March 31, 2019 was primarily attributable to accrued interest on term loans drawn during 2016 and 2018. See, "Liquidity and Capital Resources."

Loss before Income Taxes

Loss before income taxes was \$1.6 million for the three months ended March 31, 2020, compared to \$30 thousand for the three months ended March 31, 2019, primarily due to the decrease in operating income.

Income Taxes

Generally, the Company's combined effective tax rate is high relative to reported net income as a result of certain amortization expense, foreign taxes, and corporate overhead not being deductible and income being attributable to certain states in which it operates. The Company operates in four states, which have relatively high tax rates: California, New York, Illinois, and Florida. Income tax expense was \$1.1 million for the three months ended March 31, 2020 compared to \$79 thousand for the three months ended March 31, 2019. As of March 31, 2020, due primarily to the effects of the COVID-19 pandemic and its impact on our business, the Company believes it is more likely than not that the benefit from deferred tax assets will not be realized and has maintained a \$1.2 million valuation allowance against its deferred tax assets.

Net Loss

The Company had a net loss of \$2.7 million for the three months ended March 31, 2020, compared to \$109 thousand for the three months ended March 31, 2019, primarily due to the decrease in operating income and increase in income tax expense in 2020.

Liquidity and Capital Resources

The Company's cash balance decreased to \$5.3 million at March 31, 2020 from \$7.0 million at December 31, 2019. The cash balances decreased as a result of \$1.2 million net cash used in operating activities, \$0.1 million net cash used in investing activities and \$0.2 million cash used in financing activities.

Net cash used in operating activities of \$1.2 million was primarily the result of decreases in amounts due to models, lease liabilities, accounts payable and accrued liabilities, partially offset by a decrease in accounts receivable right of use assets. The \$0.1 million of cash used in investing activities was attributable to purchases of property and equipment, including software and computer equipment. The \$0.2 million of cash used in financing activities was primarily attributable to principal payments on the Company's term loan.

The Company's primary liquidity needs are for working capital associated with performing services under its client contracts and servicing its term loan. Generally, the Company incurs significant operating expenses with payment terms shorter than its average collections on billings. The COVID-19 pandemic has had an impact on the Company's cash flows during the three months ended March 31, 2020, primarily due to delayed payments from customers. The pandemic could have a more significant impact on the Company's cash flows in subsequent periods due to the lack of bookings and modeling jobs currently taking place, and due to the customary payment terms extended to clients. The Company has taken actions to address the impact of COVID-19 by reducing expenses and has the ability to implement more significant cost savings measures if the current quarantines and limitations on non-essential work persist for an extended period.

Amegy Bank Credit Agreement

The Company has a credit agreement with Amegy Bank which provides a \$4.0 million revolving line of credit and previously provided up to a \$3.0 million term loan which could be drawn through October 24, 2016. Amounts outstanding under the term loan reduce the availability under the revolving line of credit. The revolving line of credit is also subject to a borrowing base derived from 80% of eligible accounts receivable (as defined) and the Company's minimum net worth covenant of \$20.0 million. The revolving line of credit bears interest at prime plus 0.50% payable monthly. As of March 31, 2020, the Company had a \$0.2 million irrevocable standby letter of credit outstanding under the revolving line of credit and had additional borrowing capacity of \$2.0 million.

On August 16, 2016, the Company drew \$2.7 million of the term loan and used the proceeds to fund the purchase of shares of its common stock in a private transaction. The term loan bears interest at 4.5% per annum and payable in monthly payments of interest only until November, 2016, followed by 47 equal monthly payments of principal and interest computed on a 60-month amortization schedule and a final payment of principal and interest due on October 24, 2020.

On July 16, 2018, the Company amended its Credit Agreement with Amegy Bank to provide for an additional term loan of up to \$1.0 million that could be drawn by the Company through July 12, 2019, for the purpose of repurchases of its common stock. The additional term loan is evidenced by a promissory note bearing interest at 5.15% per annum and payable in monthly installments of interest only through July 12, 2019. Thereafter, the note is payable in monthly installments sufficient to fully amortize the outstanding principal balance in 60 months with the balance of principal and accrued interest due on July 12, 2023. The amendment also revised the calculation of the fixed charge coverage ratio for the three quarters following the maturity date of the previous term loan.

Amounts outstanding under the additional term loan further reduce the availability under the Company's revolving line of credit with Amegy Bank. On August 1, 2018, the Company drew \$0.7 million of the additional term loan and used the proceeds to fund the purchase of 100,000 shares of its common stock in a private transaction. On December 12, 2018, the Company drew \$0.3 million of the additional term loan and used the proceeds to partially fund a purchase of 50,000 shares of its common stock in a private transaction. As of March 31, 2020, a total of \$1.8 million was outstanding on the two term loans.

Reduced outstanding accounts receivable available as collateral under the Company's credit agreement with Amegy Bank has limited access to additional financing. Net losses in recent periods have also impacted compliance with the financial covenants under the Amegy Bank credit agreement, further impeding the Company's ability to obtain additional financing. On March 26, 2020, the Company entered into a Thirteenth Amendment to Credit Agreement (the "Thirteenth Amendment") with ZB, N.A. dba Amegy Bank. The Thirteenth Amendment amended the minimum net worth covenant to require the Company to maintain tangible net worth (as defined therein) of \$4.0 million, determined on a quarterly basis. Under the Thirteenth Amendment, Amegy Bank also waived an existing default caused by the Company's failure to satisfy the old minimum net worth covenant as of December 31, 2019. On May 12, 2020, the Company entered into a Fourteenth Amendment to Credit Agreement (the "Fourteenth Amendment") with ZB, N.A. dba Amegy Bank. The Fourteenth Amendment amended the line of credit to reduce the maximum borrowing capacity to \$3.0 million. Under the Fourteenth Amendment, Amegy Bank also waived an existing default caused by the Company's failure to satisfy both the minimum fixed charge coverage ratio through March 31, 2020 and minimum tangible net worth as of March 31, 2020. Current economic conditions make it likely that the Company will require additional waivers in subsequent periods of 2020.

Off-Balance Sheet Arrangements

As of March 31, 2020, the Company had outstanding a \$0.2 million irrevocable standby letter of credit under the revolving credit facility with Amegy Bank. The letter of credit serves as security under the lease relating to the Company's office space in New York City that expires February 2021.

Effect of Inflation

Inflation has not historically been a material factor affecting the Company's business. General operating expenses, such as salaries, employee benefits, insurance and occupancy costs are subject to normal inflationary pressures.

Critical Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Wilhelmina and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Revenue Recognition

On January 1, 2018, the Company adopted the requirements of Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606"). ASC 606 establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services.

Our revenues are derived primarily from fashion model and artist bookings, and representation of social media influencers and actors for commercials, film, and television. Our performance obligations are primarily satisfied at a point in time when the talent has completed the contractual requirements.

A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The performance obligations for most of the Company's core modeling bookings are satisfied on the day of the event, and the "day rate" total fee is agreed in advance when the customer books the model for a particular date. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation based on the estimated relative standalone selling price.

Model Costs

Model costs include amounts owed to talent, including taxes required to be withheld and remitted directly to taxing authorities, commissions owed to other agencies, and related costs such as those paid for photography. Costs are accrued in the period in which the event takes place consistent with when the revenue is recognized. The Company typically enters into contractual agreements with models under which the Company is obligated to pay talent upon collection of fees from the customer.

Stock Based Compensation

Stock-based compensation expense is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes option pricing model and is recognized on a straight line basis as an expense over the requisite service period, which is generally the vesting period. The determination of the fair value of stock-based awards on the date of grant using an option pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the estimated volatility over the expected term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates, estimated forfeitures and expected dividends.

Income Taxes

We are subject to income taxes in the United States, the United Kingdom, and numerous local jurisdictions.

Deferred tax assets are recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Unused tax loss carry-forwards are reviewed at each reporting date and a valuation allowance is established if it is doubtful we will generate sufficient future taxable income to utilize the loss carry-forwards.

In determining the amount of current and deferred income tax, we take into account whether additional taxes, interest, or penalties may be due. Although we believe that we have adequately reserved for our income taxes, we can provide no assurance that the final tax outcome will not be materially different. To the extent that the final tax outcome is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are accounted for at net realizable value, do not bear interest and are short-term in nature. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on accounts receivable. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to the allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. The Company generally does not require collateral.

Goodwill and Intangible Asset Impairment Testing

The Company performs impairment testing at least annually and more frequently if events and circumstances indicate that the asset might be impaired.

An impairment loss is recognized to the extent that the carrying amount exceeds the reporting unit's fair value. In accordance with ASU 2017-03, effective January 1, 2020, only a one-step qualitative impairment test is performed, whereby a goodwill impairment loss will be measured as the excess of a reporting unit's carrying amount over its fair value. If the carrying amount of the reporting unit's goodwill exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill.

Whenever events or circumstances change, entities have the option to first make a qualitative evaluation about the likelihood of goodwill impairment. If impairment is deemed more likely than not, management would perform the goodwill impairment test. Otherwise, the goodwill impairment test is not required. In assessing the qualitative factors, the Company assesses relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry and market considerations, overall financial performance, Company specific events and share price trends, an assessment of whether each relevant factor will impact the impairment test positively or negatively, and the magnitude of any such impact.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting company

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures designed to ensure that information it is required to disclose in the reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, including the Company's principal executive officer and principal financial officer have evaluated the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Remediation of Material Weakness

As discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, the Company's management previously determined that undue reliance on Level 2 and Level 3 inputs in goodwill impairment testing had resulted in a material weakness in internal control over financial reporting. This material weakness did not result in a material misstatement of any previously filed financial statements but posed a risk of material misstatement that might not be prevented or detected on a timely basis.

During the first quarter of 2020, management addressed this control deficiency by increasing reliance on the Level 1 input of the Company's market capitalization in evaluating goodwill for impairment. Management changed its control procedures to prioritize the appropriate Level 1 input and reviewed the related calculations. Due to a decrease in market capitalization during the first quarter of 2020, management concluded that a goodwill impairment of \$0.8 million should be recorded at March 31, 2020. As a result of these changes and subsequent review and testing, management has concluded that the previously reported material weakness has been remediated and no longer existed as of March 31, 2020.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

On October 24, 2013, a putative class action lawsuit was brought against the Company by former Wilhelmina model Alex Shanklin and others, including Louisa Raske, Carina Vretman, Grecia Palomares and Michelle Griffin Trotter (the “Shanklin Litigation”), in New York State Supreme Court (New York County) by the same lead counsel who represented plaintiffs in a prior, now-dismissed action brought by Louisa Raske (the “Raske Litigation”). The claims in the Shanklin Litigation initially included breach of contract and unjust enrichment allegations arising out of matters similar to the Raske Litigation, such as the handling and reporting of funds on behalf of models and the use of model images. Other parties named as defendants in the Shanklin Litigation include other model management companies, advertising firms, and certain advertisers. On January 6, 2014, the Company moved to dismiss the Amended Complaint in the Shanklin Litigation for failure to state a claim upon which relief can be granted and other grounds, and other defendants also filed motions to dismiss. On August 11, 2014, the court denied the motion to dismiss as to Wilhelmina and other of the model management defendants. Separately, on March 3, 2014, the judge assigned to the Shanklin Litigation wrote the Office of the New York Attorney General bringing the case to its attention, generally describing the claims asserted therein against the model management defendants, and stating that the case “may involve matters in the public interest.” The judge’s letter also enclosed a copy of his decision in the Raske Litigation, which dismissed that case.

Plaintiffs retained substitute counsel, who filed a Second and then Third Amended Complaint. Plaintiffs’ Third Amended Complaint asserts causes of action for alleged breaches of the plaintiffs’ management contracts with the defendants, conversion, breach of the duty of good faith and fair dealing, and unjust enrichment. The Third Amended Complaint also alleges that the plaintiff models were at all relevant times employees, and not independent contractors, of the model management defendants, and that defendants violated the New York Labor Law in several respects, including, among other things, by allegedly failing to pay the models the minimum wages and overtime pay required thereunder, not maintaining accurate payroll records, and not providing plaintiffs with full explanations of how their wages and deductions therefrom were computed. The Third Amended Complaint seeks certification of the action as a class action, damages in an amount to be determined at trial, plus interest, costs, attorneys’ fees, and such other relief as the court deems proper. On October 6, 2015, Wilhelmina filed a motion to dismiss as to most of the plaintiffs’ claims. The Court entered a decision granting in part and denying in part Wilhelmina’s motion to dismiss on May 26, 2017. The Court (i) dismissed three of the five New York Labor Law causes of action, along with the conversion, breach of the duty of good faith and fair dealing and unjust enrichment causes of action, in their entirety, and (ii) permitted only the breach of contract causes of action, and some plaintiffs’ remaining two New York Labor Law causes of action to continue, within a limited time frame. The plaintiffs and Wilhelmina each appealed, and the decision was affirmed on May 24, 2018. On August 16, 2017, Wilhelmina timely filed its Answer to the Third Amended Complaint.

On June 6, 2016, another putative class action lawsuit was brought against the Company by former Wilhelmina model Shawn Pressley and others, including Roberta Little (the “Pressley Litigation”), in New York State Supreme Court (New York County) by the same counsel representing the plaintiffs in the Shanklin Litigation, and asserting identical, although more recent, claims as those in the Shanklin Litigation. The Amended Complaint, asserting essentially the same types of claims as in the Shanklin action, was filed on August 16, 2017. Wilhelmina filed a motion to dismiss the Amended Complaint on September 29, 2017, which was granted in part and denied in part on May 10, 2018. Some New York Labor Law and contract claims remain in the case. Pressley has withdrawn from the case, leaving Roberta Little as the sole remaining named plaintiff in the Pressley Litigation. On July 12, 2019, the Company filed its Answer and Counterclaim against Little.

On May 1, 2019, the Plaintiffs in the Shanklin Litigation (except Raske) and the Pressley Litigation filed motions for class certification on their contract claims and the remaining New York Labor Law Claims. On July 12, 2019, Wilhelmina filed its opposition to the motions for class certification and filed a cross-motion for summary judgment against Shanklin, Vretman, Palomares, Trotter and Little, and a motion for summary judgment against Raske. Wilhelmina’s reply papers in further support of its summary judgment motions were filed on October 23, 2019. The motions for class certification and summary judgment were argued on December 4, 2019, and the parties are awaiting decision.

The Company believes the claims asserted in the Shanklin and Pressley Litigations are without merit and intends to continue to vigorously defend the actions.

In addition to the legal proceedings disclosed herein, the Company is also engaged in various legal proceedings that are routine in nature and incidental to its business. None of these routine proceedings, either individually or in the aggregate, are believed likely, in the Company's opinion, to have a material adverse effect on its consolidated financial position or its results of operations.

Item 1.A. Risk Factors.

Not required for smaller reporting company.

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

During 2012, the Board of Directors authorized a stock repurchase program whereby the Company could repurchase up to 500,000 shares of its outstanding common stock. During 2013, the Board of Directors renewed and extended the Company's share repurchase authority to enable it to repurchase up to an aggregate of 1,000,000 shares of common stock. In 2016, the Board of Directors increased by an additional 500,000 shares the number of shares of the Company's common stock which may be repurchased under its stock repurchase program to an aggregate of 1,500,000 shares. The shares may be repurchased from time to time in the open market or through privately negotiated transactions at prices the Company deems appropriate. The program does not obligate the Company to acquire any particular amount of common stock and may be modified or suspended at any time at the Company's discretion. The following table furnishes information for purchases made pursuant to the stock repurchase program during the quarter ended March 31, 2020:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans
January 1-31, 2020	1,050	4.04	1,310,911	189,089
February 1-29, 2020	3,416	4.03	1,314,327	185,673
March 1-31, 2020	367	4.09	1,314,694	185,306
Total	4,833	\$ 4.04		

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

The following is a list of exhibits filed as part of this Form 10-Q:

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.1 to Form S-1/A, filed January 30, 2012).
3.2	Certificate of Amendment of the Restated Certificate of Incorporation of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.1 to the Form 8-K, filed July 15, 2014).
3.3	Certificate of Amendment of the Restated Certificate of Incorporation of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.1 to Form 8-K filed July 12, 2017).
3.4	Amended and Restated Bylaws of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.2 to Form 8-K, filed May 24, 2011).
4.1	Form of Stock Certificate of Common Stock of Billing Concepts Corp. (incorporated by reference from Exhibit 4.1 to Form 10-Q, filed May 15, 1998).
10.1	Thirteenth Amendment to Credit Agreement dated March 26, 2020, by and among Wilhelmina International, Inc., ZB, N.A. dba Amegy Bank and the guarantors signatory thereto (incorporated by reference from Exhibit 10.27 to Form 10-K filed March 30, 2020)
10.2	Fourteenth Amendment to Credit Agreement dated May 12, 2020, by and among Wilhelmina International, Inc., ZB, N.A. dba Amegy Bank and the guarantors signatory thereto *
31.1	Certification of Principal Executive Officer in Accordance with Section 302 of the Sarbanes-Oxley Act. *
31.2	Certification of Principal Financial Officer in Accordance with Section 302 of the Sarbanes-Oxley Act. *
32.1	Certification of Principal Executive Officer in Accordance with Section 906 of the Sarbanes-Oxley Act. *
32.2	Certification of Principal Financial Officer in Accordance with Section 906 of the Sarbanes-Oxley Act. *
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase *
101.DEF	XBRL Taxonomy Extension Definition Linkbase *
101.LAB	XBRL Taxonomy Extension Label Linkbase *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase *

* Filed herewith

SIGNATURES

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

WILHELMINA INTERNATIONAL, INC.
(Registrant)

Date: May 14, 2020

By: /s/ James A. McCarthy
Name: James A. McCarthy
Title: Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark E. Schwarz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wilhelmina International, Inc. for the quarterly period ended March 31, 2020;
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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 14, 2020

/s/ Mark E. Schwarz

Name: Mark E. Schwarz
Title: Executive Chairman
(Principal Executive Officer)

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James A. McCarthy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wilhelmina International, Inc. for the quarterly period ended March 31, 2020;
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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 14, 2020

/s/ James A. McCarthy
Name: James A. McCarthy
Title: Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Wilhelmina International, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark E. Schwarz, Executive Chairman 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 my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented.

May 14, 2020

/s/ Mark E. Schwarz

Name: Mark E. Schwarz
Title: Executive Chairman
(Principal Executive Officer)

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Wilhelmina International, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James A. McCarthy, Principal 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 my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the presented.

May 14, 2020

/s/ James A. McCarthy

Name: James A. McCarthy
Title: Chief Financial Officer
(Principal Financial Officer)

FOURTEENTH AMENDMENT TO CREDIT AGREEMENT

This **FOURTEENTH AMENDMENT TO CREDIT AGREEMENT** (this "Amendment") is made effective and executed as of May 12, 2020, by and among **WILHELMINA INTERNATIONAL, INC.**, a Delaware corporation ("Borrower"), **ZIONS BANCORPORATION, N.A. dba AMEGY BANK** ("Bank"), and each of the Guarantors set forth on the signature pages hereof (each a "Guarantor", and collectively the "Guarantors").

RECITALS

A. Borrower and Bank entered into that certain Credit Agreement dated as of April 20, 2011, as amended by that certain First Amendment to Credit Agreement dated as of January 1, 2012, that certain Second Amendment to Credit Agreement dated as of October 24, 2012, that certain Third Amendment to Credit Agreement dated as of July 31, 2014, that certain Fourth Amendment to Credit Agreement dated effective October 24, 2015, that certain Fifth Amendment to Credit Agreement dated effective May 13, 2016, that certain Sixth Amendment to Credit Agreement and First Amendment to Line of Credit Note dated effective November 9, 2016, that certain Seventh Amendment to Credit Agreement dated effective May 4, 2017, that certain Eighth Amendment to Credit Agreement and Waiver dated effective August 1, 2017, that certain Ninth Amendment to Credit Agreement and Second Amendment to Line of Credit Note dated effective October 24, 2017, that certain Tenth Amendment to Credit Agreement dated effective July 12, 2018, that certain Eleventh Amendment to Credit Agreement and Third Amendment to Line of Credit Note dated effective October 24, 2018, that certain Twelfth Amendment to Credit Agreement and Fourth Amendment to Line of Credit Note dated effective October 24, 2019, and that certain Thirteenth Amendment to Credit Agreement dated effective March 26, 2020 (as amended, the "Credit Agreement").

B. In connection with the Credit Agreement, Borrower executed and delivered to Bank (i) that certain Line of Credit Promissory Note dated April 20, 2011, in the stated principal amount of \$500,000.00, as amended and restated by that certain Amended and Restated Line of Credit Promissory Note dated as of January 1, 2012, in the stated principal amount of \$1,500,000.00, as amended and restated by that certain Second Amended and Restated Line of Credit Promissory Note dated as of October 24, 2012, in the stated principal amount of \$5,000,000.00, as amended and restated by that certain Third Amended and Restated Line of Credit Promissory Note dated as of October 24, 2015, in the stated principal amount of \$4,000,000.00, as amended by that certain Sixth Amendment to Credit Agreement and First Amendment to Line of Credit Note dated effective November 9, 2016, that certain Ninth Amendment to Credit Agreement and Second Amendment to Line of Credit Note dated effective October 24, 2017, that certain Eleventh Amendment to Credit Agreement and Third Amendment to Line of Credit Note dated effective October 24, 2018, and that certain Twelfth Amendment to Credit Agreement and Fourth Amendment to Line of Credit Note dated effective October 24, 2019 (as amended and restated, the "Line of Credit Note"), (ii) that certain Promissory Note dated effective October 24, 2015, in the stated principal amount of \$3,000,000.00 (the "Term Note"), and (iii) that certain Promissory Note dated effective July 12, 2018, in the stated principal amount of \$1,000,000.00 (the "Second Term Note").

C. In connection with the Credit Agreement, (i) Guarantors (other than Artists at Wilhelmina LLC, Wilhelmina Licensing (Texas) LLC, and Wilhelmina Artist Management LLC, a Delaware limited liability company) executed and delivered to Bank that certain Unlimited Guaranty dated April 20, 2011, (ii) Artists at Wilhelmina LLC (formerly known as Wilhelmina Creative, LLC) and Wilhelmina Licensing (Texas) LLC executed and delivered to Bank those certain Unlimited Guaranties dated effective October 24, 2015, and (iii) Wilhelmina Artist Management LLC, a Delaware limited liability company, executed and delivered to Bank that certain Unlimited Guaranty dated effective November 9, 2016 (the Unlimited Guaranties referenced in items (i) through (iii) preceding, collectively, the "Guaranty Agreements").

D. In connection with the Credit Agreement, (i) Borrower and Guarantors (other than Wilhelmina Licensing (Texas) LLC, Artists at Wilhelmina LLC, and Wilhelmina Artist Management LLC, a Delaware limited liability company) executed and delivered to Bank that certain Pledge and Security Agreement dated as of April 20, 2011, as amended from time to time, (ii) Wilhelmina Licensing (Texas) LLC executed and delivered to Bank that certain Pledge and Security Agreement dated effective as of October 24, 2015, as amended from time to time, (iii) Artists at Wilhelmina LLC executed and delivered to Bank that certain Pledge and Security Agreement dated effective as of October 24, 2015, as amended from time to time, and (iv) Wilhelmina Artist Management LLC, a Delaware limited liability company, executed and delivered to Bank that certain Pledge and Security Agreement dated effective on or about November 9, 2016, as amended from time to time (collectively, the “Security Documents” and each a “Security Document”).

E. Borrower has requested Bank to (i) adjust the maximum loan availability under the Line of Credit, (ii) waive the Existing Defaults (as defined below), and (iii) make certain other amendments to the Credit Agreement, all as more fully set forth herein, and Bank has agreed to the same upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

ARTICLE I **DEFINITIONS**

Section 1.1. **Definitions**. Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meaning as assigned to them in the Credit Agreement, as amended hereby.

ARTICLE II **AMENDMENTS**

Section 2.1. **Amendments to Section 1.1 of Credit Agreement**.

(a) Section 1.1(a) of the Credit Agreement is hereby amended and restated in its entirety to hereafter read as follows:

“(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including October 24, 2022 not to exceed at any time the aggregate principal amount of Three Million and No/100 Dollars (\$3,000,000.00), *minus* all outstanding Letter of Credit Liabilities, as hereinafter defined, *minus* all outstanding indebtedness under the Term Loan, as hereinafter defined, *minus* all outstanding indebtedness under the Second Term Loan, as hereinafter defined (“Line of Credit”), the proceeds of which shall be used (i) to pay fees and expenses incurred in connection with this Agreement and the transaction contemplated hereby, and (ii) for working capital and other general business purposes of Borrower. Borrower’s obligation to repay advances under the Line of Credit are evidenced by a Third Amended and Restated Line of Credit Promissory Note dated as of October 24, 2015, in the stated principal amount of \$4,000,000.00 (as such promissory note may be amended, restated, refinanced or otherwise modified from time to time, the “Line of Credit Note”), all terms of which are incorporated herein by this reference.”

(b) The last sentence in Section 1.1(c) of the Credit Agreement is hereby amended and restated in its entirety to hereafter read as follows: "If at any time the total outstanding borrowings under the Line of Credit exceed an amount equal to the lesser of the then current Borrowing Base or the maximum principal amount permitted under Section 1.1(a) above, then Borrower shall immediately repay the amount of such excess."

Section 2.2. **Waiver.** Borrower has failed to be in compliance with Subsections 4.9(a) and 4.9(b) of the Credit Agreement for the fiscal quarter ending March 31, 2020 (collectively, the "Existing Defaults"). Borrower acknowledges and agrees that the Existing Defaults constitute Events of Default. Subject to Borrower's and each Guarantor's compliance with the terms and conditions of this Amendment and the other Loan Documents, including without limitation the complete satisfaction of the conditions precedent set forth in this Amendment, Bank hereby waives the Existing Defaults. Except for the waiver expressly set forth in this Section 2.2, nothing contained herein shall otherwise be deemed a consent to any violation of, or a waiver of compliance with, any term, provision, or condition set forth in any of the Loan Documents or a consent to or waiver of any other or future violations, breaches, Defaults, or Events of Default. The waiver set forth above in this Section 2.2 is made only with respect to Subsections 4.9(a) and 4.9(b) of the Credit Agreement for the fiscal quarter ending March 31, 2020, and said waiver shall not apply to any other provisions or measurement periods.

ARTICLE III **CONDITIONS PRECEDENT**

Section 3.1. **Conditions.** The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent, unless specifically waived by the Bank:

(a) The following instruments shall have been duly and validly executed and delivered to Bank by the parties thereto, all in form, scope and content satisfactory to the Bank:

(i) this Amendment executed by Borrower and Guarantors; and

(ii) resolutions of the Board of Directors (or other governing body) of Borrower and each Guarantor certified by the Secretary or an Assistant Secretary (or other custodian of records of each such entity) which authorize the execution, delivery, and performance by Borrower and each Guarantor of this Amendment and the other Loan Documents to be executed in connection herewith.

(b) The representations and warranties contained herein, in the Credit Agreement, as amended hereby, and in each other Loan Document, as amended hereby, shall be true and correct as of the date hereof, as if made on the date hereof, except to the extent such representations and warranties relate to an earlier date.

(c) No Event of Default shall have occurred and be continuing and no Default shall exist, unless such Event of Default or Default has been specifically waived in writing by Bank.

(d) All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto, shall be satisfactory to Bank and its legal counsel.

(e) There shall have been no material adverse change in the condition (financial or otherwise) of Borrower or any Guarantor since July 12, 2018.

ARTICLE IV
RATIFICATIONS, REPRESENTATIONS, WARRANTIES

Section 4.1. **Ratifications.** The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Credit Agreement and except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. Borrower and Guarantors agree that the Credit Agreement, as amended hereby, and the other Loan Documents, as amended hereby, shall continue to be legal, valid, binding obligations of Borrower and Guarantors, enforceable against Borrower and Guarantors in accordance with their respective terms.

Section 4.2. **Renewal of Security Interests.** Each of Borrower and Guarantors hereby renews, regrants and affirms the liens and security interests created and granted in the Credit Agreement and in all other Loan Documents (including, without limitation, the Security Documents, as amended), to secure the prompt payment of all indebtedness and obligations of Borrower and each Guarantor under the Loan Documents as amended by the terms hereof, including without limitation any Letter of Credit Liabilities, the Line of Credit, the Term Loan, and the Second Term Loan. Each of Borrower and Guarantors agree that this Amendment shall in no manner affect or impair the liens and security interests securing the indebtedness of Borrowers and Guarantors to Bank and that such liens and security interests shall not in any manner be waived, the purposes of this Amendment being to modify the Credit Agreement as herein provided, and to carry forward all liens and security interests securing same, which are acknowledged by Borrower and Guarantors to be valid and subsisting.

Section 4.3. **Representations and Warranties.** Borrower and Guarantors hereby represent and warrant to Bank as follows:

(a) The execution, delivery and performance of this Amendment and any and all other Loan Documents executed and delivered in connection herewith have been authorized by all requisite corporate action on the part of Borrower and each Guarantor and do not and will not conflict with or violate any provision of any applicable laws, rules, regulations or decrees, the organizational documents of Borrower or any Guarantor, or any agreement, document, judgment, license, order or permit applicable to or binding upon Borrower or any Guarantor or their respective assets. No consent, approval, authorization or order of, and no notice to or filing with, any court or governmental authority or third person is required in connection with the execution, delivery or performance of this Amendment or to consummate the transactions contemplated hereby;

(b) The representations and warranties contained in the Credit Agreement, as amended hereby, and the other Loan Documents, as amended hereby, are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof, except to the extent such representations and warranties relate to an earlier date;

(c) No Event of Default under the Credit Agreement or any Loan Document has occurred and is continuing, except to the extent waived in writing by Bank;

(d) Borrower and Guarantors are in full compliance with all covenants and agreements contained in the Credit Agreement, as amended hereby, and the other Loan Documents to which each is a party, each as amended hereby, except to the extent waived in writing by Bank;

(e) Neither Borrower nor any Guarantor has amended any of its organizational documents since the date of the original execution of the Credit Agreement; and

(f) As of May 8, 2020, the unpaid principal amount of the Line of Credit Note was \$0, the unpaid principal amount of the Term Note was \$837,531.18, the unpaid principal amount of the Second Term Note was \$850,973.12, and the aggregate Letter of Credit Liabilities were \$221,743.00, which amounts are unconditionally owed by Borrower to Bank without offset, defense or counterclaim of any kind or nature whatsoever.

Section 4.4. **Guarantors' Consent and Ratification.** Each Guarantor hereby consents and agrees to the terms of this Amendment, and agrees that the Guaranty Agreement to which it is a party shall remain in full force and effect and shall continue to be the legal, valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms. Furthermore, each Guarantor hereby agrees and acknowledges that (a) the Guaranty Agreements are Loan Document, (b) the Guaranty Agreements are not subject to any claims, defenses or offsets, (c) nothing contained in this Amendment or any other Loan Document shall adversely affect any right or remedy of Bank under the Guaranty Agreements, (d) the execution and delivery of this Amendment shall in no way reduce, impair or discharge any obligations of any Guarantor pursuant to the Guaranty Agreements and shall not constitute a waiver by Bank against any Guarantor, (e) by virtue hereof and by virtue of the Guaranty Agreements, each Guarantor hereby guarantees to Bank the prompt and full payment and full and faithful performance by the Borrower of the entirety of the Guaranteed Indebtedness (as defined in the Guaranty Agreements) including, without limitation, all amounts owing under the Line of Credit Note, the Term Note, the Second Term Note, and all Letter of Credit Liabilities, (f) no Guarantor's consent is required to the effectiveness of this Amendment, and (g) no consent by any Guarantor is required for the effectiveness of any future amendment, modification, forbearance or other action with respect to the Credit Agreement or any present or future Loan Document.

ARTICLE V MISCELLANEOUS

Section 5.1. **Survival of Representations and Warranties.** All representations and warranties made in the Credit Agreement or any other Loan Document, including without limitation, any Loan Document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by Bank or any closing shall affect such representations and warranties or the right of Bank to rely thereon.

Section 5.2. **Reference to Credit Agreement.** Each of the Loan Documents, including the Credit Agreement, and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement, as amended hereby, are hereby amended so that any reference in such Loan Documents to the Credit Agreement or any of the Loan Documents shall mean a reference to the Credit Agreement or such Loan Documents in each case as amended hereby.

Section 5.3. **Expenses of Bank.** As provided in the Credit Agreement, Borrower agrees to pay on demand all reasonable costs and expenses incurred by Bank in connection with the preparation, negotiation and execution of this Amendment and the other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements hereto, including, without limitation, the reasonable costs and fees of Bank's legal counsel, and all reasonable costs and expenses incurred by Bank in connection with the enforcement or preservation of any rights under the Credit Agreement, as amended hereby, and any other Loan Document, as amended hereby, including, without limitation, the reasonable costs and fees of Bank's legal counsel.

Section 5.4. **RELEASE.** BORROWER AND EACH GUARANTOR HEREBY VOLUNTARILY AND KNOWINGLY RELEASE AND FOREVER DISCHARGE BANK, ITS DIRECTORS, OFFICERS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH BORROWER AND ANY GUARANTOR MAY NOW OR HEREAFTER HAVE AGAINST BANK, ITS DIRECTORS, OFFICERS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM ANY LOAN, INCLUDING, WITHOUT LIMITATION, ANY CONTRACTING FOR, CHARGING, TAKING, RESERVING, COLLECTING OR RECEIVING INTEREST IN EXCESS OF THE HIGHEST LAWFUL RATE APPLICABLE, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN DOCUMENTS, AND NEGOTIATIONS FOR AND EXECUTION OF THE LOAN DOCUMENTS.

Section 5.5. **Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

Section 5.6. **GOVERNING LAW.** THIS AMENDMENT SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

Section 5.7. **Successors and Assigns.** This Amendment is binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs, executors, and legal representatives, except that none of the parties hereto other than Bank may assign or transfer any of its rights or obligations hereunder without the prior written consent of Bank.

Section 5.8. **WAIVER OF TRIAL BY JURY.** THE PARTIES HERETO AGREE THAT NO PARTY SHALL REQUEST A TRIAL BY JURY IN THE EVENT OF LITIGATION BETWEEN THEM CONCERNING THE LOAN DOCUMENTS OR ANY CLAIMS OR TRANSACTIONS IN CONNECTION THEREWITH, IN EITHER A STATE OR FEDERAL COURT, THE RIGHT TO TRIAL BY JURY BEING EXPRESSLY WAIVED BY BANK, BORROWER AND GUARANTORS. EACH OF BANK, BORROWER AND GUARANTORS ACKNOWLEDGES THAT SUCH WAIVER IS MADE WITH FULL KNOWLEDGE AND UNDERSTANDING OF THE NATURE OF THE RIGHTS AND BENEFITS WAIVED HEREBY, AND WITH THE BENEFIT OF ADVICE OF COUNSEL OF ITS CHOOSING.

Section 5.9. **Counterparts.** This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

Section 5.10. **Descriptive Headings.** The captions in this Amendment are for convenience only and shall not define or limit the provisions hereof.

Section 5.11. **ENTIRE AGREEMENT.** THIS AMENDMENT, THE CREDIT AGREEMENT AND ALL OTHER LOAN DOCUMENTS EXECUTED AND DELIVERED IN CONNECTION WITH AND PURSUANT TO THIS AMENDMENT AND THE CREDIT AGREEMENT REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. PURSUANT TO SUBSECTION 26.02(c) OF THE TEXAS BUSINESS AND COMMERCE CODE, THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE DETERMINED SOLELY FROM THE LOAN DOCUMENTS, AND ANY PRIOR ORAL AGREEMENTS BETWEEN THE PARTIES ARE SUPERSEDED BY AND MERGED INTO THE LOAN DOCUMENTS.

Section 5.12. **Arbitration.** All disputes, claims, and controversies arising from this Amendment shall be arbitrated in accordance with Section 7.15 of the Credit Agreement.

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EXECUTED as of the date first written above.

BORROWER:

WILHELMINA INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ James McCarthy
James McCarthy
Chief Financial Officer

GUARANTORS:

WILHELMINA LICENSING LLC,
a Delaware limited liability company

By: /s/ James McCarthy
James McCarthy
Chief Financial Officer

WILHELMINA LICENSING (TEXAS) LLC,
a Texas limited liability company

By: /s/ James McCarthy
James McCarthy
Chief Financial Officer

WILHELMINA FILM & TV PRODUCTIONS LLC,
a Delaware limited liability company

By: /s/ James McCarthy
James McCarthy
Chief Financial Officer

WILHELMINA ARTIST MANAGEMENT LLC,
a New York limited liability company

By: /s/ James McCarthy
James McCarthy
Chief Financial Officer

[Signatures Continue on Next Page]

WILHELMINA-MIAMI, INC.,
a Florida corporation

By: /s/ James McCarthy
James McCarthy
Chief Financial Officer

WILHELMINA INTERNATIONAL, LTD.,
a New York corporation

By: /s/ James McCarthy
James McCarthy
Chief Financial Officer

WILHELMINA WEST, INC.,
a California corporation

By: /s/ James McCarthy
James McCarthy
Chief Financial Officer

WILHELMINA MODELS, INC.,
a New York corporation

By: /s/ James McCarthy
James McCarthy
Chief Financial Officer

LW1, INC.,
a California corporation

By: /s/ James McCarthy
James McCarthy
Chief Financial Officer

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ARTISTS AT WILHELMINA LLC,
a Florida limited liability company
(formerly known as Wilhelmina Creative, LLC)

By: /s/ James McCarthy
James McCarthy
Chief Financial Officer

WILHELMINA ARTIST MANAGEMENT LLC,
a Delaware limited liability company

By: /s/ James McCarthy
James McCarthy
Chief Financial Officer

[Signatures Continue on Next Page]

BANK:

ZIONS BANCORPORATION, N.A. dba AMEGY BANK

By: /s/ Nicholas J. Diaz
Nicholas J. Diaz
Executive Vice President
