

**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 **September 30, 2019**

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 November 12, 2019, the registrant had 5,170,121 shares of common stock outstanding.

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES

Quarterly Report on Form 10-Q

For the Three and Nine Months Ended September 30, 2019

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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) September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,521	\$ 6,748
Accounts receivable, net of allowance for doubtful accounts of \$1,484 and \$1,791, respectively	12,083	11,901
Prepaid expenses and other current assets	274	197
Total current assets	<u>17,878</u>	<u>18,846</u>
Property and equipment, net of accumulated depreciation of \$4,032 and \$3,264, respectively	2,103	2,567
Right of use assets-operating	1,602	-
Right of use assets-finance	129	-
Trademarks and trade names with indefinite lives	8,467	8,467
Other intangibles with finite lives, net of accumulated amortization of \$8,720 and \$8,684, respectively	17	53
Goodwill	13,192	13,192
Other assets	<u>113</u>	<u>114</u>
TOTAL ASSETS	\$ 43,501	\$ 43,239
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,824	\$ 5,071
Due to models	8,840	8,809
Lease liabilities – operating, current	1,125	-
Lease liabilities – finance, current	94	-
Term loan – current	750	623
Total current liabilities	<u>14,633</u>	<u>14,503</u>
Long term liabilities:		
Net deferred income tax liability	654	631
Lease liabilities – operating, non-current	623	-
Lease liabilities – finance, non-current	44	-
Term loan – non-current	1,435	2,000
Total long term liabilities	<u>2,756</u>	<u>2,631</u>
Total liabilities	<u>17,389</u>	<u>17,134</u>
Shareholders' equity:		
Common stock, \$0.01 par value, 9,000,000 shares authorized; 6,472,038 shares issued at September 30, 2019 and December 31, 2018	65	65
Treasury stock, 1,301,917 and 1,264,154 shares at September 30, 2019 and December 31, 2018, at cost	(6,320)	(6,093)
Additional paid-in capital	88,420	88,255
Accumulated deficit	(55,853)	(56,029)
Accumulated other comprehensive loss	(200)	(93)
Total shareholders' equity	<u>26,112</u>	<u>26,105</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 43,501	\$ 43,239

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

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Three and Nine Months Ended September 30, 2019 and 2018
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues:				
Service revenues	\$ 17,224	\$ 19,143	\$ 57,199	\$ 59,425
License fees and other income	17	10	46	40
Total revenues	17,241	19,153	57,245	59,465
Model costs	12,534	13,777	41,166	42,524
Revenues, net of model costs	4,707	5,376	16,079	16,941
Operating expenses:				
Salaries and service costs	3,266	3,478	10,571	10,509
Office and general expenses	1,042	1,067	3,301	3,643
Amortization and depreciation	297	252	885	727
Corporate overhead	251	298	834	895
Total operating expenses	4,856	5,095	15,591	15,774
Operating (loss) income	(149)	281	488	1,167
Other expense:				
Foreign exchange gain (loss)	3	(17)	-	(64)
Interest expense	(27)	(26)	(89)	(73)
Total other expense	(24)	(43)	(89)	(137)
(Loss) income before provision for income taxes	(173)	238	399	1,030
Provision for income taxes (expense) benefit:				
Current	(47)	(80)	(200)	(220)
Deferred	54	50	(23)	(13)
Income tax (expense) benefit	7	(30)	(223)	(233)
Net (loss) income	\$ (166)	\$ 208	\$ 176	\$ 797
Other comprehensive expense:				
Foreign currency translation adjustment	(76)	(24)	(107)	(56)
Total comprehensive (loss) income	(242)	184	69	741
Basic net (loss) income per common share	\$ (0.03)	\$ 0.04	\$ 0.03	\$ 0.15
Diluted net (loss) income per common share	\$ (0.03)	\$ 0.04	\$ 0.03	\$ 0.15
Weighted average common shares outstanding-basic	5,176	5,309	5,189	5,353
Weighted average common shares outstanding-diluted	5,176	5,318	5,189	5,361

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 and Nine Months Ended September 30, 2019 and 2018
(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, 2017	6,472	\$ 65	(1,090)	\$ (4,893)	\$ 87,892	\$ (56,885)	\$ 4	\$ 26,183
Share based payment expense	-	-	-	-	109	-	-	109
Net income to common shareholders	-	-	-	-	-	225	-	225
Purchases of treasury stock	-	-	(6)	(36)	-	-	-	(36)
Foreign currency translation	-	-	-	-	-	-	43	43
Balances at March 31, 2018	6,472	\$ 65	(1,096)	\$ (4,929)	\$ 88,001	\$ (56,660)	\$ 47	\$ 26,524
Share based payment expense	-	-	-	-	87	-	-	87
Net income to common shareholders	-	-	-	-	-	364	-	364
Purchases of treasury stock	-	-	(7)	(46)	-	-	-	(46)
Foreign currency translation	-	-	-	-	-	-	(75)	(75)
Balances at June 30, 2018	6,472	\$ 65	(1,103)	\$ (4,975)	\$ 88,088	\$ (56,296)	\$ (28)	\$ 26,854
Share based payment expense	-	-	-	-	84	-	-	84
Net income to common shareholders	-	-	-	-	-	208	-	208
Purchases of treasury stock	-	-	(100)	(706)	-	-	-	(706)
Foreign currency translation	-	-	-	-	-	-	(24)	(24)
Balances at September 30, 2018	6,472	\$ 65	(1,203)	\$ (5,681)	\$ 88,172	\$ (56,088)	\$ (52)	\$ 26,416

	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
Share based payment expense	-	-	-	-	52	-	-	52
Net income to common shareholders	-	-	-	-	-	451	-	451
Purchases of treasury stock	-	-	(25)	(149)	-	-	-	(149)
Foreign currency translation	-	-	-	-	-	-	(59)	(59)
Balances at June 30, 2019	6,472	\$ 65	(1,293)	\$ (6,266)	\$ 88,371	\$ (55,687)	\$ (124)	\$ 26,359
Share based payment expense	-	-	-	-	49	-	-	49
Net loss to common shareholders	-	-	-	-	-	(166)	-	(166)
Purchases of treasury stock	-	-	(9)	(54)	-	-	-	(54)
Foreign currency translation	-	-	-	-	-	-	(76)	(76)
Balances at September 30, 2019	6,472	\$ 65	(1,302)	\$ (6,320)	\$ 88,420	\$ (55,853)	\$ (200)	\$ 26,112

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

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
For the Nine Months Ended September 30, 2019 and 2018
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net income:	\$ 176	\$ 797
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Amortization and depreciation	885	727
Share based payment expense	165	280
Deferred income taxes	23	13
Bad debt (recovery) expense	(1)	70
Changes in operating assets and liabilities:		
Accounts receivable	(181)	(296)
Prepaid expenses and other current assets	(77)	(107)
Right of use assets-operating	802	-
Other assets	1	20
Due to models	31	(635)
Lease liabilities-operating	(854)	-
Accounts payable and accrued liabilities	(1,038)	862
Net cash (used in) provided by operating activities	<u>(68)</u>	<u>1,731</u>
Cash flows used in investing activities:		
Purchases of property and equipment	(304)	(293)
Net cash used in investing activities	<u>(304)</u>	<u>(293)</u>
Cash flows (used in) provided by financing activities:		
Purchases of treasury stock	(227)	(788)
Payments on finance leases	(83)	-
Proceeds from term loan	-	700
Repayment of term loan	(438)	(390)
Net cash used in financing activities	<u>(748)</u>	<u>(478)</u>
Foreign currency effect on cash flows:	<u>(107)</u>	<u>(56)</u>
Net change in cash and cash equivalents:	(1,227)	904
Cash and cash equivalents, beginning of period	6,748	4,256
Cash and cash equivalents, end of period	<u>\$ 5,521</u>	<u>\$ 5,160</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 88	\$ 71
Cash paid (refund) of income taxes	\$ 5	\$ (10)

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 income and comprehensive income, 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, 2018. 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.

Note 3. New Accounting Standards

ASU 2016-02, Leases. In 2016, the Financial Accounting Standards Board ("FASB") issued new guidance related to accounting for leases. The new guidance requires the recognition of right of use ("ROU") assets and lease liabilities for those leases classified as operating leases under previous guidance. In 2018, the FASB also approved an amendment that would permit the option to adopt the new standard prospectively as of the effective date, without adjusting comparative periods presented. The new standard was effective for the Company beginning January 1, 2019. Wilhelmina has elected the optional transition approach to not apply the new lease standard in the comparative periods presented and also elected to not recognize short-term leases of 12 months or less on the balance sheet. Adoption of the standard resulted in the recognition of ROU assets of \$2.6 million and lease liabilities of \$2.8 million at January 1, 2019, primarily from recognition of ROU assets and lease liabilities related to our office space and model apartment leases. The adoption of the new standard did not have a material impact on the consolidated statement of operations or stockholder's equity. During the first nine months of 2019, \$83 thousand of lease payments historically included as rent expense within office and general expenses are now classified as amortization expense, and included within cash used in financing activities on the Company's statement of cash flows. At September 30, 2019, the weighted-average remaining lease term was 1.6 years for operating leases and 1.7 years for finance type leases. At September 30, 2019, the weighted average discount rate was 4.8% for operating leases and 4.5% for finance type leases.

The following table presents additional information regarding Wilhelmina's financing and operating leases for the three and nine month periods ended September 30, 2019 (in thousands):

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Finance lease expense		
Amortization of ROU assets	\$ 27	\$ 88
Interest on lease liabilities	2	6
Operating lease expense	281	878
Short term lease expense	77	196
Cash paid for amounts included in the measurement of lease liabilities for finance leases		
Financing cash flows	30	94
Cash paid for amounts included in the measurement of lease liabilities for operating leases		
Operating cash flows	301	933
ROU assets obtained in exchange for lease liabilities		
Finance leases	-	2,404
Operating leases	-	210

As of September 30, 2019, future maturities of lease liabilities were as follows (in thousands):

	Operating	Finance
July 1, 2019 to December 31, 2019	\$ 303	\$ 30
2020	1,135	81
2021	369	31
Total	1,807	142
Less: Present value discount	(59)	(4)
Lease liability	\$ 1,748	\$ 138

Note 4. Foreign Currency Translation

The functional currency of the London subsidiary 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. Line of Credit

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 September 30, 2019, 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 \$1.6 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 September 30, 2019, a total of \$2.2 million was outstanding on the two term loans.

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, and the class certification and summary judgment motions will next be fully briefed. The Court has scheduled a hearing on all of the motions for December 4, 2019.

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. As of September 30, 2019, the Company had federal income tax loss carryforwards of \$0.5 million.

The U.S. Tax Cuts and Jobs Act (the "Tax Act") enacted in December 2017 introduced significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduced the U.S. statutory tax rate from 35% to 21% and created new taxes on certain foreign-sourced earnings and certain related-party payments. The Company's repatriation liability is not deemed material due to a foreign deficit.

Note 8. Treasury Shares

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 September 30, 2019, the Company has repurchased 1,301,917 shares of common stock at an average price of approximately \$4.85 per share, for a total of approximately \$6.3 million in repurchases under the stock repurchase program. During the first nine months of 2019, 37,763 shares were repurchased under the stock repurchase program for approximately \$227 thousand.

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 \$23 thousand for the nine months ended both September 30, 2019 and 2018. The Company did not owe NCM any amounts under the services agreement as of September 30, 2019.

Note 10. Subsequent Events

The Company's revolving line of credit with Amegy Bank expired by its terms on October 24, 2019. On November 6, 2019, the Company and Amegy Bank executed a Twelfth Amendment to Credit Agreement and Fourth Amendment to Line of Credit Note (the "Twelfth Amendment") which extended the revolving line of credit for three years until October 24, 2022. The Twelfth Amendment also increased the Company's minimum net worth requirement from \$20.0 million to \$22.0 million and eliminated the requirement to provide annual tax returns.

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 and nine months ended September 30, 2019 and 2018. 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, 2018.

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.

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 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.

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. Similarly, in the segments where the Company competes with other leading full-service agencies, Wilhelmina competed successfully during the first nine months of 2019.

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.

Strategy

Management's 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 the content creation and production business;
- 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. The Company continues to make significant investments in technology in pursuit of gains in efficiency and better communications with clients. 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			Nine Months Ended		
	September 30	September 30	% Change	September 30	September 30	% Change
	2019	2018	2019 vs 2018	2019	2018	2019 vs 2018
Service revenues	17,224	19,143	(10.0%)	57,199	59,425	(3.7%)
License fees and other income	17	10	70.0%	46	40	15.0%
TOTAL REVENUES	17,241	19,153	(10.0%)	57,245	59,465	(3.7%)
Model costs	12,534	13,777	(9.0%)	41,166	42,524	(3.2%)
REVENUES NET OF MODEL COSTS	4,707	5,376	(12.4%)	16,079	16,941	(5.1%)
GROSS PROFIT MARGIN	27.3%	28.1%		28.1%	28.5%	
Salaries and service costs	3,266	3,478	(6.1%)	10,571	10,509	0.6%
Office and general expenses	1,042	1,067	(2.3%)	3,301	3,643	(9.4%)
Amortization and depreciation	297	252	17.9%	885	727	21.7%
Corporate overhead	251	298	(15.8%)	834	895	(6.8%)
OPERATING (LOSS) INCOME	(149)	281	(153.0%)	488	1,167	(58.2%)
OPERATING MARGIN	(0.9%)	1.5%		0.9%	2.0%	
Foreign exchange gain (loss)	3	(17)	117.6%	-	(64)	100%
Interest expense	(27)	(26)	(3.8%)	(89)	(73)	21.9%
INCOME BEFORE INCOME TAXES	(173)	238	(172.7%)	399	1,030	(61.3%)
Income tax benefit (expense)	7	(30)	123.3%	(223)	(233)	(4.3%)
Effective tax rate	4.0%	12.6%		55.9%	22.6%	
NET (LOSS) INCOME	(166)	208	(179.8%)	176	797	(77.9%)

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. The decreases of 10.0% and 3.7% for the three and nine months ended September 30, 2019, when compared to the three and nine months ended September 30, 2018, were primarily due to a decrease in bookings in the Wilhelmina Studios division and core model bookings in the United States, partially offset by an increase in core model bookings in the London office and bookings from the Aperture division. The decrease in core model bookings in the United States was primarily due to staff turnover.

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 increased by 70.0% and 15.0% for the three and nine months ended September 30, 2019, when compared to three and nine months ended September 30, 2018. The increases were primarily due to the timing of income from licensing agreements.

Gross Profit Margin

Gross profit margin decreased by 80 and 40 basis points for the three and nine months ended September 30, 2019, when compared to the three and nine months ended September 30, 2018 primarily due to a change in board revenue mix and an increase in revenue from the Aperture division, 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 6.1% decrease in salaries and service costs during the three months ended September 30, 2019, when compared to the three months ended September 30, 2018 was primarily the result of a decrease in employee salaries due to a lag in filling open positions, as well as a reduction in share based payment expense. Salaries and service costs for the nine months ended September 30, 2019 were relatively stable from the nine months ended September 30, 2018.

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 2.3% and 9.4% for the three and nine months ended September 30, 2019 when compared to the three and nine months ended September 30, 2018, were primarily due to reduced rent expense, computer expense and bad debt expenses, as well as the reclassification of certain lease payments as amortization expense under the new lease accounting rules.

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 17.9% and 21.7% for the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018, primarily due to new equipment which will be depreciated going forward, and certain lease payments previously included within office and general expenses which are now classified as amortization under the new lease accounting rules. Fixed asset purchases (mostly related to technology and computer equipment) totaled approximately \$97 thousand and \$304 thousand during the three and nine months ended September 30, 2019, compared to \$89 thousand and \$293 thousand for the three and nine months ended September 30, 2018.

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 15.8% and 6.8% for the three and nine months ended September 30, 2019, compared to the three and nine months ended September 30, 2018, primarily due to lower securities compliance costs.

Operating Margin

Operating margin decreased by 240 and 110 basis points for the three and nine months ended September 30, 2019, when compared to the three and nine months ended September 30, 2018, primarily due to the decreased gross profit margin partially offset by lower operating expenses.

Foreign Currency Translation

The Company realized \$3 thousand of foreign currency exchange gains during the three months ended September 30, 2019, and \$17 thousand of foreign currency exchange loss during the three months ended September 30, 2018. The Company realized \$0 and \$64 thousand of foreign currency exchange loss for the nine months ended September 30, 2019 and September 30, 2018. 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 and nine months ended September 30, 2019 and September 30, 2018 was primarily attributable to accrued interest on term loans drawn during 2016 and 2018. See, "Liquidity and Capital Resources."

Income before Income Taxes

Loss before income taxes was \$173 thousand for the three months ended September 30, 2019, compared to \$238 thousand of income before income taxes for the three months ended September 30, 2018, primarily due to the decrease in operating income. Income before income taxes decreased to \$399 thousand for the nine months ended September 30, 2019, compared to \$1.0 million for the nine months ended September 30, 2018, 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. Currently, the majority of taxes being paid by the Company are 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. In addition, foreign taxes in the United Kingdom related to our London office are not deductible from U.S. federal taxes.

Net Income

Net loss for the three months ended September 30, 2019 was \$166 thousand compared to \$208 thousand of net income for the same period of the prior year. The decrease in net income was primarily due to the decrease in operating income. Net income for the nine months ended September 30, 2019 was \$176 thousand compared to \$797 thousand for the same period of the prior year. The decrease in net income was primarily due to the decrease in operating income.

Liquidity and Capital Resources

The Company's cash balance decreased to \$5.5 million at September 30, 2019 from \$6.7 million at December 31, 2018. The cash balances decreased as a result of \$0.1 million net cash used in operating activities, \$0.3 million net cash used in investing activities and \$0.8 cash used in financing activities.

Net cash used in operating activities of \$0.1 million was primarily the result of increases in accounts receivable and decreases in lease liabilities and accounts payable and accrued liabilities, partially offset by a decrease in right of use assets. The \$0.3 million of cash used in investing activities was attributable to purchases of property and equipment, including software, office furniture, and computer equipment. The \$0.8 million of cash used in financing activities was attributable to principal payments on the Company's term loan, purchases of treasury stock, and payments on finance leases.

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. Based on 2019 budgeted and year-to-date cash flow information, management believes that the Company has sufficient liquidity to meet its projected operational expenses and capital expenditure requirements for the next twelve months.

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 September 30, 2019, 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 \$1.6 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 is 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 September 30, 2019, a total of \$2.2 million was outstanding on the two term loans.

Off-Balance Sheet Arrangements

As of September 30, 2019, 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

In compliance with generally accepted accounting principles in United States of America, when reporting revenue gross as a principal versus net as an agent, the Company assesses whether the Company, the model or the talent is the primary obligor. The Company evaluates the terms of its model, talent and client agreements as part of this assessment. In addition, the Company gives appropriate consideration to other key indicators such as latitude in establishing price, discretion in model or talent selection and credit risk the Company undertakes. The Company operates broadly as a modeling agency and in those relationships with models and talents where the key indicators suggest the Company acts as a principal, the Company records the gross amount billed to the client as revenue when earned and collectability is reasonably assured, and the related costs incurred to the model or talent as model or talent cost. In other model and talent relationships, where the Company believes the key indicators suggest the Company acts as an agent on behalf of the model or talent, the Company records revenue when earned and collectability is reasonably assured, net of pass-through model or talent cost.

The Company also recognizes management fees as revenues for providing services to other modeling agencies as well as consulting income in connection with services provided to a television production network according to the terms of the contract. The Company recognizes royalty income when earned based on terms of the contractual agreement. Revenues received in advance are deferred and amortized using the straight-line method over periods pursuant to the related contract. The Company also records fees from licensees when the revenues are earned and collectability is reasonably assured.

Advances to models for the cost of initial portfolios and other out-of-pocket costs, which are reimbursable only from collections from the Company's clients as a result of future work, are expensed to model costs as incurred. Any repayments of such costs are credited to model costs in the period received.

Goodwill and Intangible Assets

Goodwill consists primarily of customer and talent relationships arising from past business acquisitions. Intangible assets with finite lives are amortized over useful lives ranging from two to seven years. Goodwill and intangible assets with indefinite lives are not subject to amortization, but rather to an annual assessment of impairment by applying a fair-value based test. A significant amount of judgment is required in estimating fair value and performing goodwill impairment tests.

The Company annually assesses whether the carrying value of its intangible assets exceeds their fair value and, if necessary, records an impairment loss equal to any such excess. Each interim reporting period, the Company assesses whether events or circumstances have occurred which indicate that the carrying amount of an intangible asset exceeds its fair value. If the carrying amount of the intangible asset exceeds its fair value, an asset impairment charge will be recognized in an amount equal to that excess. No asset impairment charges were incurred during the nine months ended September 30, 2019 or September 30, 2018.

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 valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Company generally does not require collateral.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company continually assesses the need for a tax valuation allowance based on all available information. As of September 30, 2019, the Company believes that its deferred tax assets are more likely than not to be realized. In addition, the Company continuously evaluates its tax contingencies.

Accounting for uncertainty in income taxes recognized in an enterprise's financial statements requires a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Also, consideration should be given to de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. There was no change to the net amount of assets and liabilities recognized in the consolidated balance sheets as a result of the Company's tax positions.

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. During the most recent fiscal quarter, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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, and the class certification and summary judgment motions will next be fully briefed. The Court has scheduled a hearing on all of the motions for December 4, 2019.

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 September 30, 2019:

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
July 1-31, 2019	3,845	\$ 6.03	1,296,465	203,535
August 1-31, 2019	-	\$ -	1,296,465	203,535
September 1-30, 2019	5,452	\$ 5.73	1,301,917	198,083
Total	9,297	\$ 5.85		

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

The Company's revolving line of credit with Amegy Bank expired by its terms on October 24, 2019. On November 6, 2019, the Company and Amegy Bank executed a Twelfth Amendment to Credit Agreement and Fourth Amendment to Line of Credit Note (the "Twelfth Amendment") which extended the revolving line of credit for three years until October 24, 2022. The Twelfth Amendment also increased the Company's minimum net worth requirement from \$20.0 million to \$22.0 million and eliminated the requirement to provide annual tax returns.

The foregoing description of the Twelfth Amendment is qualified in its entirety by reference to the definitive agreement filed as an exhibit hereto and incorporated herein by this reference.

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	Twelfth Amendment to Credit Agreement and Fourth Amendment to Line of Credit Note dated as of October 24, 2019, 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: November 12, 2019

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

**TWELFTH AMENDMENT TO CREDIT AGREEMENT AND
FOURTH AMENDMENT TO LINE OF CREDIT NOTE**

This **TWELFTH AMENDMENT TO CREDIT AGREEMENT AND FOURTH AMENDMENT TO LINE OF CREDIT NOTE** (this "Amendment") is made effective and executed as of October 24, 2019, 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, and that certain Eleventh Amendment to Credit Agreement and Third Amendment to Line of Credit Note dated effective October 24, 2018 (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, and that certain Eleventh Amendment to Credit Agreement and Third Amendment to Line of Credit Note dated effective October 24, 2018 (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 extend the maturity date of the Line of Credit (as defined in the Credit Agreement) and make certain amendments to the Credit Agreement and Line of Credit Note, 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. **Amendment to Section 1.1 of Credit Agreement.** Section 1.1(a) of the Credit Agreement is amended by deleting the reference therein to “October 24, 2019” and inserting “October 24, 2022” in lieu thereof.

Section 2.2. **Amendment to Section 1.5 of Credit Agreement.** Section 1.5(a) of the Credit Agreement is amended by deleting each reference therein to “October 24, 2019” and inserting “October 24, 2022” in lieu thereof.

Section 2.3. **Deletion of Section 4.3(f) of Credit Agreement.** Subparagraph (f) of Section 4.3 of the Credit Agreement is hereby deleted in its entirety and shall be of no further force or effect.

Section 2.4. **Amendment to Section 4.9 of Credit Agreement.** Section 4.9(a) of the Credit Agreement is hereby amended by deleting the reference to the term “\$20,000,000.00” and inserting the term “\$22,000,000.00” in lieu thereof.

Section 2.5. **Amendment to Line of Credit Note.** The definition of “Maturity Date” in Section 1.1 of the Line of Credit Note is hereby amended and restated in its entirety to hereafter read as follows: “‘Maturity Date’ means October 24, 2022.”

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 October 24, 2019, the unpaid principal amount of the Line of Credit Note is \$0, the unpaid principal amount of the Term Note is \$1,167,004.51, the unpaid principal amount of the Second Term Note is \$956,039.40, and the aggregate Letter of Credit Liabilities are \$221,742.50, 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

[Signatures Continue on Next Page]

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

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William J. Wackermann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wilhelmina International, Inc. for the quarterly period ended September 30, 2019;
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.

November 12, 2019

/s/ William J. Wackermann

Name: William J. Wackermann

Title: Chief Executive Officer

(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 September 30, 2019;
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.

November 12, 2019

/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 September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William J. Wackermann, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to 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.

November 12, 2019

/s/ William J. Wackermann

Name: William J. Wackermann

Title: Chief Executive Officer

(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 September 30, 2019 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.

November 12, 2019

/s/ James A. McCarthy

Name: James A. McCarthy

Title: Chief Financial Officer

(Principal Financial Officer)