

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999

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: 000-26489

MCM CAPITAL GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)
500 WEST FIRST STREET
HUTCHINSON, KS
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

48-1090909
(IRS EMPLOYER
IDENTIFICATION NO.)
67501
(ZIP CODE)

(800) 759-0327
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR,
IF CHANGED SINCE LAST REPORT)

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 last 90 days.

Yes No *

There were 7,191,131 shares of common stock outstanding as of August 15,
1999.

* This is the registrant's first periodic report filed after its initial public
offering.

MCM CAPITAL GROUP, INC.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MCM CAPITAL GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1998(A)	JUNE 30, 1999
	----- (IN THOUSANDS) (UNAUDITED) -----	
ASSETS		
Cash.....	\$ 4,658	\$ 2,828
Investment in receivable portfolios (Note 2).....	2,052	19,263
Retained interest in securitized receivables (Note 3).....	23,986	26,911
Property and equipment, net (Note 4).....	3,852	4,572
Other assets.....	280	2,521
	-----	-----
	\$34,828	\$56,095
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities.....	\$ 1,608	\$ 1,890
Servicing liability (Note 3).....	3,607	2,362
Notes payable and other borrowings (Note 5).....	7,005	31,668
Capital lease obligations.....	506	457
Deferred income tax liability.....	8,180	7,226
	-----	-----
Total liabilities.....	20,906	43,603
Stockholders' equity:		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized.....	--	--
Common stock, \$0.01 par value, 50,000,000 shares authorized, 4,941,131 shares issued and outstanding....	49	49
Additional paid-in capital.....	81	81
Accumulated other comprehensive income.....	4,883	4,715
Retained earnings.....	8,909	7,647
	-----	-----
Total stockholders' equity.....	13,922	12,492
	-----	-----
Total liabilities and stockholders' equity.....	\$34,828	\$56,095
	=====	=====

(A) Derived from the audited consolidated financial statements as of December 31, 1998.

See accompanying notes to condensed consolidated financial statements

MCM CAPITAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1999	1998	1999

	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
	(UNAUDITED)			
Revenues				
Income from receivable portfolios.....	\$3,626	\$1,676	\$ 6,673	\$ 2,245
Income from retained interest.....	--	1,845	--	3,505
Gain on sales of receivable portfolios.....	450	17	619	17
Servicing fees and related income.....	--	2,003	--	3,974
	-----	-----	-----	-----
	4,076	5,541	7,292	9,741
Operating expenses:				
Salaries and employee benefits.....	1,573	4,508	2,457	8,192
Other operating expenses.....	459	839	746	1,655
General and administrative expenses.....	295	333	413	1,072
Depreciation and amortization.....	41	228	82	433
	-----	-----	-----	-----
Total operating expenses.....	2,368	5,908	3,698	11,352
	-----	-----	-----	-----
	1,708	(367)	3,594	(1,611)
Other income and expense:				
Interest expense.....	(591)	(423)	(1,212)	(640)
Other income.....	--	58	6	148
	-----	-----	-----	-----
Total other expense.....	(591)	(365)	(1,206)	(492)
Income (loss) before income taxes and extraordinary charge.....	1,117	(732)	2,388	(2,103)
(Provision for) benefit from income taxes.....	(447)	295	(925)	841
	-----	-----	-----	-----
Income (loss) before extraordinary charge.....	670	(437)	1,463	(1,262)
Extraordinary charge, net of income tax benefit of \$115.....	--	--	(180)	--
	-----	-----	-----	-----
Net income (loss).....	\$ 670	\$ (437)	\$ 1,283	\$ (1,262)
	=====	=====	=====	=====
Basic earnings per share:				
Income (loss) before extraordinary charge.....	\$ 0.14	\$(0.09)	\$ 0.30	\$ (0.26)
Extraordinary charge.....	--	--	(0.04)	--
	-----	-----	-----	-----
Net income (loss).....	\$ 0.14	\$(0.09)	\$ 0.26	\$ (0.26)
	=====	=====	=====	=====
Diluted earnings per share:				
Income (loss) before extraordinary charge.....	\$ 0.14	\$(0.09)	\$ 0.29	\$ (0.26)
Extraordinary charge.....	--	--	(0.04)	--
	-----	-----	-----	-----
Net income (loss).....	\$ 0.14	\$(0.09)	\$ 0.25	\$ (0.26)
	=====	=====	=====	=====
Shares used for computation (in thousands):				
Basic.....	4,941	4,941	4,941	4,941
Diluted.....	4,941	4,941	5,127	4,941

See accompanying notes to condensed consolidated financial statements

MCM CAPITAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30,	
	----- 1998 -----	----- 1999 -----
	(IN THOUSANDS) (UNAUDITED)	
Cash flows from operating activities:		
Net income (loss).....	\$ 1,283	\$ (1,262)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization.....	82	433
Amortization of loan costs.....	--	22
Amortization of debt discount.....	136	--
Gain on sales of receivable portfolios.....	(619)	(17)
Extraordinary loss on early extinguishment of debt.....	180	--
Deferred income tax expense (benefit).....	933	(841)
Income accrued on retained interest.....	--	(3,505)
Amortization of servicing liability.....	--	(1,245)
Increase in service fee receivable.....	--	(373)
(Increase) decrease in other assets.....	(50)	99
Increase (decrease) in accounts payable and accrued liabilities.....	35	282
Net cash provided by (used in) operating activities....	----- 1,980	----- (6,407)
Cash flows from investing activities:		
Proceeds from sales of portfolios.....	2,593	108
Net (accretion) collections applied to principal of receivable portfolios.....	(651)	(840)
Purchases of receivable portfolios.....	(11,982)	(16,462)
Purchases of property and equipment.....	(1,039)	(1,152)
Net cash used in investing activities.....	----- (11,079)	----- (18,346)
Cash flows from financing activities:		
Proceeds from notes payable and other borrowings.....	28,515	35,426
Repayments of notes and other borrowings.....	(18,357)	(10,764)
Payment on termination of put warrants.....	(206)	--
Capitalized loan costs relating to financing arrangement.....	--	(1,269)
Capitalized costs relating to public offering of common stock and other financing.....	--	(422)
Net repayment of capital lease obligation.....	--	(48)
Prepayment fees and penalties on early extinguishment of debt.....	(294)	--
Net cash provided by financing activities.....	----- 9,658	----- 22,923
Net increase (decrease) in cash.....	559	(1,830)
Cash at beginning of period.....	477	4,658
Cash at end of period.....	----- \$ 1,036 =====	----- \$ 2,828 =====

See accompanying notes to condensed consolidated financial statements

MCM CAPITAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 -- BASIS OF PRESENTATION

MCM Capital Group, Inc. (MCM Capital) is a holding company whose principal asset is its investment in its wholly-owned subsidiary, Midland Credit Management Inc. (Midland Credit) (collectively referred to herein as the Company). The Company is a financial services company that currently focuses on acquiring charged-off credit card receivables originated by national financial institutions and major retail corporations. Acquisitions of receivable portfolios are financed by operations and borrowings from third parties.

On June 25, 1999, MCM Capital merged with Midland Corporation of Kansas in which:

- MCM Capital is the surviving corporation;
- the authorized capital stock of the surviving corporation consists of 50,000,000 shares of \$.01 par value common stock and 5,000,000 shares of \$.01 par value preferred stock; and
- the stockholders of Midland Corporation of Kansas received 4.941 shares of MCM Capital common stock for each share of Midland Corporation of Kansas common stock outstanding, having the effect of a 4.941-to-1 stock split.

On July 14, 1999, the MCM Capital completed its initial public offering of common stock (see Note 7 -- Subsequent Events for further discussion).

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. In the opinion of the Company, however, the accompanying condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position as of December 31, 1998 and June 30, 1999, its results of operations for the three-month and six-month periods ended June 30, 1998 and 1999 and its cash flows for the six-month periods ended June 30, 1998 and 1999. This information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Amendment No. 4 to its Registration Statement on Form S-1 filed on July 8, 1999 with the Securities and Exchange Commission. Certain statements in these notes to the condensed consolidated financial statements constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements express or implied by such forward-looking statements. See "Part II -- Other Information."

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 2 -- INVESTMENT IN RECEIVABLE PORTFOLIOS

The following summarizes the changes in the balance of the investment in receivable portfolios for the following periods (in thousands):

	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999
	-----	-----
Balance, beginning of period.....	\$ 15,411	\$ 2,052
Purchase of receivable portfolios.....	24,762	16,462
Securitization of receivable portfolios.....	(33,848)	--
Cost of receivable portfolios sold.....	(4,776)	(91)
Net accretion (collections) applied to principal of receivable portfolios.....	503	840
	-----	-----
Balance, end of period.....	\$ 2,052	\$19,263
	=====	=====

NOTE 3 -- SECURITIZATION OF RECEIVABLE PORTFOLIOS

On December 30, 1998, Midland Receivables 98-1 Corporation, a bankruptcy remote, special-purpose entity formed by the Company, issued securitization notes in the principal amount of \$33.0 million, which bear a fixed rate of interest at 8.63%. The notes are collateralized by the credit card receivables securitized by the Company with a carrying amount of \$33.8 million at the time of transfer. The transaction was accounted for as a sale under the provisions of Statement of Financial Accounting Standard No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" (SFAS No. 25). As a result, the Company recorded a retained interest and a servicing liability and recognized a pre-tax gain of \$9.3 million in 1998.

In connection with the securitization, the Company receives a servicing fee equal to 20% of the gross monthly collections of the securitized receivables. The benefits of servicing the securitized receivables are not expected to adequately compensate the Company for performing the servicing; therefore, the Company recorded a servicing liability of \$3,607,000 in accordance with SFAS No. 125. The Company recorded amortization of this servicing liability in the first six months of 1999 of \$1,245,000 (including \$602,000 in the three months ended June 30, 1999) resulting in a servicing liability balance of \$2,362,000 at June 30, 1999.

As a result of the securitization transaction, the Company recorded a retained interest in securitized receivables. The retained interest is held by a wholly-owned, bankruptcy remote, special purpose subsidiary of the Company. The value of the retained interest, and its associated cash flows, would not be available to satisfy claims of creditors of the Company. The retained interest is collateralized by the credit card receivables that were securitized, adjusted for amounts owed to the noteholders. The Company recognized accretion of \$3,505,000 during the six months ended June 30, 1999 (including \$1,845,000 in the three months ended June 30, 1999) resulting in a retained interest balance of \$26,911,000 at June 30, 1999. In addition, the Company reported other comprehensive income in 1998 with respect to the retained interest recorded as a separate component of stockholders equity with a remaining balance of \$4,715,000 at June 30, 1999.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 4 -- PROPERTY AND EQUIPMENT

The following is a summary of the components of property and equipment:

	DECEMBER 31, 1998	JUNE 30, 1999
	-----	-----
	(IN THOUSANDS)	
Property and equipment, at cost.....	\$5,162	\$6,292
Less accumulated depreciation and amortization.....	1,310	1,720
	-----	-----
	\$3,852	\$4,572
	=====	=====

NOTE 5 -- NOTES PAYABLE AND OTHER BORROWINGS

The Company had a \$15 million unsecured revolving credit facility of which there was \$8,438,000 and \$155,000 available as of December 31, 1998 and June 30, 1999, respectively. Borrowings under this unsecured revolving line of credit were guaranteed by certain stockholders of the Company. (See Note 7 regarding renewal of the facility.)

On March 31, 1999, the Company entered a securitized receivables acquisition facility or "warehouse facility" allowing for a current maximum funding of \$35.0 million. The warehouse facility has a two-year revolving funding period expiring April 15, 2001 or earlier if an event occurs under the warehouse facility which enables the investors to discontinue the revolving portion of the facility. The warehouse facility carries a floating interest rate of 80 basis points over LIBOR and is secured solely by a trust estate, primarily consisting of receivables acquired by the Company. The warehouse facility generally provides for funding of 90 to 95 percent of the acquisition cost of portfolio receivables, depending on the type of receivables acquired.

The Company is obligated under borrowings as follows:

	DECEMBER 31, 1998	JUNE 30, 1999
	-----	-----
	(IN THOUSANDS)	
Revolving line of credit, 7.75%, unsecured, Due July 15, 1999.....	\$6,562	\$14,845
Warehouse facility.....	--	16,459
Various installment obligations, 9%.....	443	364
	-----	-----
	\$7,005	\$31,668
	=====	=====

NOTE 6 -- COMPREHENSIVE INCOME (LOSS)

The following is a summary of the components of comprehensive income (loss) (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	-----	-----	-----	-----
	1998	1999	1998	1999
	-----	-----	-----	-----
Net income (loss).....	\$670	\$(437)	\$1,283	\$(1,262)
Unrealized losses on "available-for-sale" investments.....	--	(108)	--	(168)
	-----	-----	-----	-----
Comprehensive income (loss).....	\$670	\$(545)	\$1,283	\$(1,430)
	=====	=====	=====	=====

NOTE 7 -- SUBSEQUENT EVENTS

On July 14, 1999, the Company sold 2,250,000 shares of common stock in the IPO at \$10 per share resulting in gross proceeds of \$22.5 million. After payment of all fees and expenses of the IPO, the net proceeds from the IPO approximated \$20.3 million. The Company used the net proceeds of the offering to

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

repay existing indebtedness of approximately \$15.1 million consisting of \$14.8 million borrowed under its revolving credit facility and \$0.3 million borrowed under a term loan with the Bank of Kansas. The remainder of the proceeds were retained by the Company for working capital purposes.

The Company entered into the Third Amended and Restated Promissory Note effective July 15, 1999 to renew its revolving line of credit. The \$15.0 million revolving line of credit carries interest at the Prime Rate and matures on April 15, 2000. The credit facility is guaranteed by certain stockholders of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registration Statement of MCM Capital Group, Inc. ("MCM Capital" or collectively with its subsidiaries, the "Company") filed on Form S-1 on July 8, 1999 with the Securities and Exchange Commission. A general description of the Company's industry and a discussion of recent trends affecting that industry are contained therein. Certain statements under this caption may constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements express or implied by such forward-looking statements. For those statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Reform Act. See "Part II -- Other Information."

RESULTS OF OPERATIONS

Six Months Ended June 30, 1999 Compared with Six Months Ended June 30, 1998

Revenues. Total revenues for the six months ended June 30, 1999 were \$9.7 million compared to total revenues of \$7.3 million for the six months ended June 30, 1998, an increase of \$2.4 million or 33%. The increase in revenues was the net result of a decrease in income from receivable portfolios of \$4.5 million; an increase in income from retained interest of \$3.5 million; a decrease in gain on sales of receivable portfolios of \$0.6 million; and an increase in servicing fees and related income of \$4.0 million.

Income from receivable portfolios decreased \$4.5 million or 66%, from \$6.7 million to \$2.2 million for the six months ended June 30, 1998 and 1999, respectively. Such decrease was the result of the investment in receivable portfolios balance decrease of \$6.8 million or 26%, from \$26.1 million at June 30, 1998 to \$19.3 million at June 30, 1999, primarily as a result of the December 30, 1998 securitization of receivable portfolios with a carrying amount of \$33.8 million. The securitization was accounted for as a sale in accordance with Statement of Financial Accounting Standards No. 125 and, thus, the receivables were sold and no longer accrue income to the benefit of the Company other than servicing fees and income from the retained interest.

In connection with the December 30, 1998 securitization transaction and the related servicing agreement, the Company recorded a retained interest in the securitized receivables and a servicing liability. As a result, for the six months ended June 30, 1999 the Company recognized income from retained interest in securitized receivables in the amount of \$3.5 million, servicing fees in the amount of \$2.7 million and amortization of servicing liability in the amount of \$1.2 million.

The Company sold an individual receivable portfolio in June 1999 for \$0.1 million and recognized an immaterial gain on the transaction.

Total Operating Expenses. Total operating expenses were \$11.4 million for the six months ended June 30, 1999 compared to \$3.7 million for the six months ended June 30, 1998, an increase of \$7.7 million or 207%. Total operating expenses as a percentage of revenues were 117% for the six months ended June 30, 1999 compared to 51% for the six months ended June 30, 1998. The increase in total operating expenses as well as the increase in total operating expenses as a percentage of revenues reflects the significant growth of the Company during the past twelve months. Specifically, the Phoenix location commenced operations in February 1998 and grew to 502 personnel as of June 30, 1999 resulting in a 233% increase in salaries and wages to \$8.2 million for the six months ended June 30, 1999 compared to \$2.5 million for the same period in 1998.

Other operating expenses such as telephone, postage, credit bureau reports, rent and depreciation increased \$1.9 million or 155% from \$1.2 million to \$3.2 million for the six months ended June 30, 1998 and 1999, respectively. This increase was due to the expansion of the Phoenix location and resulting increase in expenses relating to collection operations.

Interest and other expenses. Total interest and other expenses for the six months ended June 30, 1999 was \$0.5 million compared to \$1.2 million for the six months ended June 30, 1998, a decrease of \$0.7 million or 59%. Interest expense for the six months ended June 30, 1999 was \$0.6 million compared to \$1.2 million for the six months ended June 30, 1998, a decrease of \$0.6 million or 47%. The decrease is attributable to the use of the proceeds from the securitization transaction to pay down debt and the lower interest rate on the Company's warehouse facility which originated on March 31, 1999 (see "Liquidity and Capital Resources" below for further discussion of the warehouse facility).

Provision for income taxes. For the six months ended June 30, 1999, the Company recorded an income tax benefit of \$0.8 million reflecting an effective rate of 40%. For the six months ended June 30, 1998, the Company recorded income tax expense of \$0.9 million, reflecting an effective tax rate of 39%.

Net Loss. The net loss for the six months ended June 30, 1999 was \$1.3 million compared to net income of \$1.3 million for the six months ended June 30, 1998.

Three Months Ended June 30, 1999 Compared with Three Months Ended June 30, 1998

Revenues. Total revenues for the three months ended June 30, 1999 were \$5.5 million compared to total revenues of \$4.1 million for the three months ended June 30, 1998, an increase of \$1.4 million or 36%. The increase in revenues was the net result of a decrease in income from receivable portfolios of \$2.0 million; an increase in income from retained interest of \$1.8 million; a decrease in gain on sales of receivable portfolios of \$0.4 million; and an increase in servicing fees and related income of \$2.0 million.

Income from receivable portfolios decreased \$2.0 million or 54%, from \$3.6 million to \$1.6 million for the three months ended June 30, 1998 and 1999, respectively. Such decrease was the result of the investment in receivable portfolios balance decrease of \$6.8 million or 26%, from \$26.1 million at June 30, 1998 to \$19.3 million at June 30, 1999, primarily as a result of the December 30, 1998 securitization of receivable portfolios with a carrying amount of \$33.8 million.

In connection with the December 30, 1998 securitization transaction and the related servicing agreement, the Company recorded a retained interest in the securitized receivables and a servicing liability. As a result, the Company recognized income from retained interest in securitized receivables in the amount of \$1.8 million, servicing fees in the amount of \$1.4 million and amortization of servicing liability in the amount of \$0.6 million for the three months ended June 30, 1999.

The Company sold an individual receivable portfolio in June 1999 for \$0.1 million and recognized an immaterial gain on the transaction.

Total Operating Expenses. Total operating expenses were \$5.9 million for the three months ended June 30, 1999 compared to \$2.4 million for the three months ended June 30, 1998, an increase of \$3.5 million or 149%. Total operating expenses as a percentage of revenues were 107% for the three months ended June 30, 1999 compared to 58% for the three months ended June 30, 1998. The increase in total operating expenses as well as the increase in total operating expenses as a percentage of revenues reflects the significant growth of the Company during the past twelve months. Specifically, the Phoenix location commenced operations in February 1998 and grew to 502 personnel as of June 30, 1999 resulting in a 187% increase in salaries and wages to \$4.5 million for the three months ended June 30, 1999 compared to \$1.6 million for the same period in 1998.

Other operating expenses such as telephone, postage, credit bureau reports, rent and depreciation increased \$0.6 million or 76% from \$0.8 million to \$1.4 million for the three months ended June 30, 1998 and 1999, respectively. This increase was due to the expansion of the Phoenix location and resulting increase in expenses relating to collection operations.

Interest and other expenses. Total interest and other expenses for the three months ended June 30, 1999 was \$0.4 million compared to \$0.6 million for the three months ended June 30, 1998, a decrease of \$0.2 million or 38%. Interest expense for the three months ended June 30, 1999 was \$0.4 million compared to \$0.6 million for the three months ended June 30, 1998, a decrease of \$0.2 million or 28%. The decrease is

attributable to the use of the proceeds from the securitization transaction by the Company to pay down its debt and the lower interest rate the Company secured on its warehouse facility which originated on March 31, 1999 (see "Liquidity and Capital Resources" below for further discussion of the warehouse facility).

Provision for income taxes. For the three months ended June 30, 1999, the Company recorded an income tax benefit of \$0.3 million, reflecting an effective rate of 40%. For the three months ended June 30, 1998, the Company recorded income tax expense of \$0.4 million, reflecting an effective tax rate of 40%.

Net Loss. The net loss for the three months ended June 30, 1999 was \$0.4 million compared to net income of \$0.7 million for the three months ended June 30, 1998.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company's cash flow has been provided by:

- Recoveries on receivable portfolios;
- Individual sales and securitization of receivable portfolios; and
- Line of credit agreements and other borrowings.

At June 30, 1999, the Company had cash of \$2.8 million, compared to \$4.7 million at December 31, 1998. The decrease in cash can be attributed to an increase in expenses due to the growth in our Phoenix operations and the increase in purchases of receivable portfolios in the first six months of 1999. In addition, the cash balance at December 31, 1998 reflected the proceeds from the December 30, 1998 securitization transaction, net of debt repayments.

The Company had total recoveries from managed receivable portfolios of \$15.0 million for the six months ended June 30, 1999, a 150% increase over the \$6.0 million collected in the same period in the prior year. Total proceeds from sales of receivable portfolios during the first six months of 1999 and 1998 amounted to \$0.1 million and \$2.6 million, respectively.

On March 31, 1999, the Company, through a bankruptcy remote, special purpose subsidiary, entered into a securitized receivables acquisition facility or "warehouse facility" allowing for a current maximum funding of \$35.0 million. As of August 15, 1999, the Company had borrowed \$22.1 million under the warehouse facility. The warehouse facility has a two-year revolving funding period expiring April 15, 2001 or earlier if an event occurs under the warehouse facility which enables the investors to discontinue the revolving portion of the facility. The funding period may be extended with the consent of the noteholders and other interested parties. All amounts outstanding under the warehouse facility are payable at the end of the revolving funding period as so extended. The notes under the warehouse facility carry a floating interest rate of 80 basis points over LIBOR and are rated "AA" by Standard and Poor's Corporation. The warehouse facility is secured solely by a trust estate, primarily consisting of receivables acquired by the Company. Generally, the warehouse facility provides for funding of 90 to 95 percent of the acquisition cost of portfolio receivables, depending on the type of receivables acquired, and the Company is required to fund the remaining 5 to 10 percent of the purchase cost. The Company transferred \$200,000 into a liquidity account and is required to contribute to the reserve account to maintain a balance equal to 3% of the amount borrowed.

The warehouse facility contains a condition to borrowing that the Company maintain diversity among our receivables suppliers. The Company anticipates that it will be able to acquire sufficient quantities from various suppliers to stay in compliance with the diversity requirement and fund future purchases under its forward flow arrangements through the warehouse facility.

On December 30, 1998, the Company completed its first securitization transaction. The Company expects to perform additional securitizations in the future and use the proceeds from these transactions to repay the warehouse credit facility and provide working capital. It is anticipated, however, that all future securitization transactions will be accounted for and structured as financing transactions for accounting purposes rather than sales.

Historically, the Company has used bank borrowings to fund receivable portfolio acquisitions, as well as operating and capital expenditures, as needed. At June 30, 1999, the Company had a \$15.0 million revolving line of credit with an outstanding balance of \$14.8 million. The outstanding balance of \$14.8 million was repaid with proceeds from the IPO. This credit facility was subsequently renewed effective as of July 15, 1999 and now matures on April 15, 2000. The credit facility is guaranteed by certain stockholders of the Company.

Capital expenditures for fixed assets and capital leases were \$1.2 million during the six months ended June 30, 1999 reflecting continued capital expenditures to support the Phoenix operations. Capital expenditures were funded primarily from bank borrowings and recoveries on receivable portfolios.

On July 14, 1999, the Company sold 2,250,000 shares of common stock in the IPO at \$10 per share resulting in gross proceeds of \$22.5 million. After payment of all fees and expenses of the IPO, the net proceeds from the IPO approximated \$20.3 million. The Company used the net proceeds of the offering to repay existing indebtedness of approximately \$15.1 million consisting of \$14.8 million borrowed under its revolving credit facility and \$0.3 million borrowed under a term loan with the Bank of Kansas. The remainder of the proceeds were retained by the Company for working capital purposes.

The Company plans to continue to expand its operations, which will include continued increases in acquisitions of receivable portfolios, expansion of recovery facilities, significant growth in personnel, and further increases in capital expenditures, such as computer and telephone equipment and system upgrades. The Company anticipates funding working capital needs and capital expenditures with the remaining proceeds from the IPO and bank borrowings. The Company forecasts additional capital expenditures in 1999 of approximately \$3 million.

CONTINGENCIES

The Company does not believe that contingencies for ordinary routine claims, litigation and administrative proceedings and investigations incidental to its business will have a material adverse effect on its consolidated financial position or results of operations.

YEAR 2000

The Company is preparing for the impact of the year 2000 on our business. The year 2000 problem creates potential risks for the Company, including potential problems in the information technology and non-IT systems used in the Company's business operations. The Company may also be exposed to risks from third parties with whom the Company interacts who fail to adequately address their own year 2000 problems.

The Company believes that it has reviewed and revised all software applications to meet year 2000 standards using date routines that properly acknowledge the year 2000. The cost of the revisions has been less than \$75,000 and has been absorbed by the Company as part of its normal programming expense each year. The Company does not believe the total costs of revisions will exceed \$100,000 in the aggregate. Further, the Company has not deferred any IT projects due to year 2000 efforts.

Based upon representations from the manufacturers, all computer systems have been certified to be year 2000 compliant. The telecommunications systems and services have been certified by their providers to be year 2000 compliant. However, we may not have recourse to our suppliers because they disclaim liability for their year 2000 certifications. While we believe that our systems will function without year 2000 problems, the Company will continue to review and, if necessary, replace systems or system components as necessary.

The Company is also dependent on third parties such as suppliers and service providers and other vendors. If these or other third parties fail to adequately address the year 2000 problem, the Company could experience a negative impact on our business operations or financial results. For example, the failure of some of the Company's principal suppliers to have year 2000 compliant IT systems could impact the Company's ability to acquire and service receivable portfolios. The Company purchases receivable portfolios from some of the largest credit card originators in the United States. The Company expects these vendors to resolve the year 2000 problem successfully. The receivable portfolios acquired under the Company's forward flow agreements

have been formatted by the originators and provided to the Company with a four-digit year that is year 2000 compliant and the Company expects the data acquired in the future will conform to this format.

The Company has developed and implemented a general disaster recovery plan that addresses situations that may result if the Company or any material third parties encounter technological problems. The disaster recovery plan consists of:

- a contractual agreement with a third-party insurer to have our computer hardware replaced within 48 hours of a disaster;
- daily software backup and offsite storage by a commercial storage company; and
- internal backup of each facility's computer system by the other facility's system.

Although we do not have a contingency plan specific to the year 2000 problem, we believe that this general disaster recovery plan could address some of the problems that could arise from a year 2000 failure.

We cannot assure you that we will be completely successful in our efforts to address the year 2000 problem. If some of the Company's or its vendors' systems are not year 2000 compliant, the Company could suffer lost revenues or other negative consequences, including systems malfunctions, diversion of resources, incorrect or incomplete transaction processing, and litigation.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We accrue income on our retained interest and receivable portfolios based on the effective interest rate, i.e., internal rate of return, applied to the original cost basis, adjusted for accrued income and principal paydowns. Effective interest rates are determined based on assumptions regarding the timing and amounts of portfolio collections. Such assumptions may be affected by changes in market interest rates. Accordingly, changes in market interest rates may affect our earnings. Changes in short-term interest rates also affect our earnings as a result of our borrowings under the revolving credit facility and the warehouse facility.

We believe that our market risk information has not changed materially from December 31, 1998.

PART II

OTHER INFORMATION

The statements in this Quarterly Report on Form 10-Q that are not historical facts, including most importantly, those statements preceded by, or that include the words "may", "believes", "expects", "anticipates" or the negation thereof, or similar expressions, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiaries to be materially different from any future results, performance or achievements express or implied by such forward-looking statements. Such factors include, but are not limited to, the following: the Company's ability to recover sufficient amounts on receivables to fund operations; the Company's ability to hire and retain qualified personnel to recover our receivables efficiently; the availability of financing; the availability of sufficient receivables at prices consistent with our return targets; the Company's ability to renew our current forward flow agreements at favorable terms; the success of the Company in identifying systems and programs that are not Year 2000 compliant; unexpected costs associated with Year 2000 compliance or the business risk associated with Year 2000 non-compliance by suppliers; changes in, or failure to comply with, government regulations; the costs, uncertainties and other effects of legal and administrative proceedings and other risks and uncertainties detailed in the Company's Securities and Exchange Commission filings. For those Statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Reform Act. The Company will not undertake and specifically declines any obligation to publicly release the result of any revisions to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect events or circumstances after anticipated or unanticipated events. In addition, it is the Company's policy generally not to make any specific projections as to future earnings, and the Company does not endorse any projections regarding future performance that may be made by third parties.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The SEC declared effective the Company's registration statement number 333-77483 related to its initial public offering on July 8, 1999. The offering closed on July 14, 1999. The Company registered and sold 2,250,000 shares at an aggregate offering price of \$22,500,000. After offering expenses of approximately \$2.2 million, net proceeds to the company were approximately \$20.3 million. The Company used the net proceeds of the offering to repay existing indebtedness of approximately \$15.1 million consisting of \$14.8 million borrowed on its revolving credit facility and \$0.3 million borrowed under a term loan with the Bank of Kansas. The remainder of the proceeds were retained by the Company for working capital purposes.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

MCM Capital Group, Inc. was incorporated as a Delaware company on April 29, 1999. In connection with the Company's IPO, Midland Corporation of Kansas ("MCK"), a Kansas corporation, merged into MCM Capital with MCM Capital surviving. Effective June 21, 1999, MCK as the sole stockholder of MCM Capital approved the merger and various other matters in connection with the formation of MCM Capital, including MCM Capital's 1999 Equity Participation Plan.

ITEM 5. OTHER INFORMATION

On July 22, 1999, the Company announced that Robert E. Koe had been named its President and Chief Executive Officer and had been appointed to its Board of Directors. He succeeded Frank I. Chandler who is now serving as Vice Chairman of the Company and remains a director. In connection with his employment, Mr. Koe entered into a three-year employment agreement and was granted options to purchase up to 100,000 shares of the Company's common stock under the Company's 1999 Equity Participation Plan.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.1 Third Amended and Restated Promissory Note
- 10.2 Limited Guaranty of MCM Capital Group, Inc.
- 10.3 Employment agreement between the Company and Robert E. Koe, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 22, 1999 (SEC File No. 000-26489).
- 27.1 Financial Data Schedule for the six month period ended June 30, 1999 submitted to the Securities and Exchange Commission in electronic format.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the three month period ended June 30, 1999.

MCM CAPITAL GROUP, INC.

SIGNATURES

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

MCM CAPITAL GROUP, INC.

By: /s/ R. BROOKS SHERMAN, JR.

R. BROOKS SHERMAN, JR.
EXECUTIVE VICE-PRESIDENT,
CHIEF FINANCIAL OFFICER AND
TREASURER
(PRINCIPAL FINANCIAL AND ACCOUNTING
OFFICER)

Date: August 23, 1999

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
10.1	Third Amended and Restated Promissory Note
10.2	Limited Guaranty of MCM Capital Group, Inc.
10.3	Employment agreement between the Company and Robert E. Koe, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 22, 1999 (SEC File No. 000-26489).
27.1	Financial Data Schedule for the six month period ended June 30, 1999 submitted to the Securities and Exchange Commission in electronic format.

THIRD AMENDED AND RESTATED PROMISSORY NOTE

Date: July 15, 1999 [] New [X] Renewal Amount: \$15,000,000.00 Maturity Date: APRIL 15, 2000

Bank:
Bank of America, N.A.
Banking Center:

101 South Tryon St.
Charlotte, NC 28255

Borrower:
Midland Credit Management, Inc.

500 West First Street
Hutchinson, Kansas 67504

(Street address including county)

(Name and street address, including county)

FOR VALUE RECEIVED, the undersigned Borrower unconditionally (and jointly and severally, if more than one) promises to pay to the order of Bank, its successors and assigns, without setoff, at its offices indicated at the beginning of this Note, or at such other place as may be designated by Bank, the principal amount of Fifteen Million Dollars (\$15,000,000.00), or so much thereof as may be advanced from time to time in immediately available funds, together with interest computed daily on the outstanding principal balance hereunder, at an annual interest rate, and in accordance with the payment schedule, indicated below.

[THIS NOTE CONTAINS SOME PROVISIONS PRECEDED BY BOXES. IF A BOX IS MARKED, THE PROVISION APPLIES TO THIS TRANSACTION; IF IT IS NOT MARKED, THE PROVISION DOES NOT APPLY TO THIS TRANSACTION.]

1. RATE.

[X] PRIME RATE. The Rate per annum shall be the Prime Rate. The "Prime Rate" is the fluctuating rate of interest established by Bank from time to time, at its discretion, whether or not such rate shall be otherwise published. The Prime Rate is established by Bank as an index and may or may not at any time be the best or lowest rate charged by Bank on any loan.

[] FIXED RATE. The Rate shall be fixed at _____ percent per annum.

[] OTHER. _____

Notwithstanding any provision of this Note, Bank does not intend to charge and Borrower shall not be required to pay any amount of interest or other charges in excess of the maximum permitted by the applicable law of the State of New York; if any higher rate ceiling is lawful, then that higher rate ceiling shall apply. Any payment in excess of such maximum shall be refunded to Borrower or credited against principal, at the option of Bank.

2. ACCRUAL METHOD. Unless otherwise indicated, interest at the Rate set forth above will be calculated by the 365/360 day method (a daily amount of interest is computed for a hypothetical year of 360 days; that amount is multiplied by the actual number of days for which any principal is outstanding hereunder). If interest is not to be computed using this method, the method shall be:

3. RATE CHANGE DATE. Any Rate based on a fluctuating index or base rate will change, unless otherwise provided, each time and as of the date that the index or base rate changes. If the Rate is to change on any other date or at any other interval, the change shall be: _____ .

In the event any index is discontinued, Bank shall substitute an index determined by Bank to be comparable, in its sole discretion.

4. PAYMENT SCHEDULE. All payments received hereunder shall be applied first to the payment of any expense or charges payable hereunder or under any other loan documents executed in connection with this Note, then to interest due and payable, with the balance applied to principal, or in such other order as Bank shall determine at its option.

PRINCIPAL PLUS ACCRUED INTEREST. Principal shall be paid in consecutive equal installments of \$_____, plus accrued interest, payable monthly, quarterly or _____, commencing on _____, 199____, and continuing on the same day, last day of each successive month, quarter or other period (as applicable) thereafter, with a final payment of all unpaid principal and accrued interest due on _____, 199____.

FIXED PRINCIPAL AND INTEREST. Principal and interest shall be paid in consecutive equal installments of \$_____, payable monthly, quarterly or _____, commencing on _____, 199____, and continuing on the same day, last day of each successive month, quarter or other period (as applicable) thereafter, with a final payment of all unpaid principal and interest due thereon on _____, 199____. If, on any payment date, accrued interest exceeds the installment amount set forth above, Borrower will also pay such excess as and when billed.

SINGLE PRINCIPAL PAYMENT. Principal shall be paid in full in a single payment on APRIL 15, 2000. Interest thereon shall be paid at maturity, or else monthly, quarterly or _____, commencing on August 1, 1999, and continuing on the same day, last day of each successive month, quarter or other period (as applicable) thereafter, with a final payment of all unpaid interest at the stated maturity of this Note.

Other. _____

5. REVOLVING FEATURE.

Subject to the satisfaction of the conditions set forth in Section 17 below, Borrower may borrow, repay and reborrow hereunder at any time, up to a maximum aggregate amount outstanding at any one time equal to the principal amount of this Note, provided that Borrower is not in default under any provision of this Note, any other documents executed in connection with this Note, or any other note or other loan documents now or hereafter executed in connection with any other obligation of Borrower to Bank, and provided that the borrowings hereunder do not exceed any borrowing base or other limitation on borrowings by Borrower from the Bank. Bank shall incur no liability for its refusal to advance funds based upon its determination that any

conditions of such further advances have not been met. Bank records of the amounts borrowed from time to time shall be demonstrable proof thereof.

UNCOMMITTED FACILITY. Borrower acknowledges and agrees that, notwithstanding any provisions of this Note or any other documents executed in connection with this Note, Bank has no obligation to make any advance, and that all advances are at the sole discretion of Bank.

OUT-OF-DEBT PERIOD. For a period of at least 30 consecutive days during the period prior to December 15, 1999, Borrower shall fully pay down the balance of this Note, so that no amount of principal or interest and no other obligation under this Note remains outstanding.

6. AUTOMATIC PAYMENT.

Borrower has elected to authorize Bank to effect payment of sums due under this Note by means of debiting Borrower's account number_____. This authorization shall not affect the obligation of Borrower to pay such sums when due, without notice, if there are insufficient funds in such account to make such payment in full on the due date thereof, or if Bank fails to debit the account.

7. WAIVERS, CONSENTS AND COVENANTS. Borrower: (a) waives presentment, demand, protest, notice of demand, notice of intent to accelerate, notice of acceleration of maturity, notice of protest, notice of nonpayment, notice of dishonor, and any other notice required to be given under the law to Borrower in connection with the delivery, acceptance, performance, default or enforcement of this Note, any indorsement or guaranty of this Note, or any other documents executed in connection with this Note or any other note or other loan documents now or hereafter executed in connection with any obligation of Borrower to Bank (the "Loan Documents"); (b) consents to all delays, extensions, renewals or other modifications of this Note or the Loan Documents, or waivers of any term hereof or of the Loan Documents, or release or discharge by Bank of Borrower, or release, substitution or exchange of any security for the payment hereof, or the failure to act on the part of Bank, or any indulgence shown by Bank (without notice to or further assent from Borrower), and agrees that no such action, failure to act or failure to exercise any right or remedy by Bank shall in any way affect or impair the obligations of Borrower or be construed as a waiver by Bank of, or otherwise affect, any of Bank's rights under this Note, under any indorsement or guaranty of this Note or under any of the Loan Documents; and (c) agrees to pay, on demand, all reasonable costs and expenses of collection or defense of this Note or of any indorsement or guaranty hereof and/or the enforcement or defense of Bank's rights with respect to, or the administration, supervision, preservation, or protection of, or realization upon, any property securing payment hereof, including, without limitation, reasonable attorney's fees, including fees related to any suit, mediation or arbitration proceeding, out of court payment agreement, trial, appeal, bankruptcy proceedings or other proceeding, in such amount as may be determined reasonable by any arbitrator or court, whichever is applicable.

8. PREPAYMENTS. Prepayments may be made in whole or in part at any time on any loan for which the Rate is based on the Prime Rate. All prepayments of principal shall be applied in the inverse order of maturity, or in such other order as Bank shall determine in its sole discretion. Except as may be prohibited by applicable law, no prepayment of any other loan shall be permitted without the prior written consent of Bank. Notwithstanding such prepayment prohibition, if there is a prepayment of any such loan, whether by consent of Bank, or because of acceleration or otherwise, Borrower shall, within 15 days of any request by Bank, pay to Bank, unless prohibited by applicable law, any loss or expense which Bank may incur or sustain as a result of such prepayment. For the purposes of calculating the amounts owed only, it shall be assumed that Bank actually funded or committed to fund the loan through the purchase of an underlying deposit in an amount and for a term comparable to the loan, and such determination by Bank shall be conclusive, absent a demonstrable error in computation.

9. DELINQUENCY CHARGE. To the extent permitted by law, a delinquency charge may be imposed in an amount not to exceed four percent (4%) of the unpaid portion of any payment that is more than fifteen days late. Unless the terms of this Note call for repayment of the entire balance of this Note (both principal and interest) in a single payment and not for installments of interest or principal and interest, the 4% delinquency charge may be imposed not only with respect to regular installments of principal or interest or principal and interest, but also with respect to any other payment in default under this Note (other than a previous delinquency charge), including without limitation, a single payment of principal due at the maturity of this Note. In the event any installment, or portion thereof, is not paid in a timely manner, subsequent payments will be applied first to the past due balance (which shall not include any previous delinquency charges), specifically to the oldest maturing installment, and a separate delinquency charge will be imposed for each payment that becomes due until the default is cured.

10. EVENTS OF DEFAULT. The following are events of default hereunder: (a) Borrower fails to make any payment due hereunder within five days of the date when due; (b) Borrower fails to perform any other obligation under this Note or any other Loan Documents, and such failure is not cured within 30 days of notice of such default; (c) the failure of the Borrower or MCM Capital Group, Inc., a Delaware corporation ("Parent"; Borrower and Parent hereinafter referred to individually as a "Loan Party" and collectively as the "Loan Parties"), to pay when due any other liability or obligation in an aggregate amount of at least \$500,000 and such failure to pay is not cured within 30 days after any applicable grace period; (d) either Loan Party becomes insolvent, a receiver is appointed for any part of a Loan Party's property, a Loan Party makes an assignment for the benefit of creditors, or any proceeding is commenced either by a Loan Party or against a Loan Party under any bankruptcy or insolvency laws and in the case of a proceeding brought against a Loan Party, such proceeding has not been discharged or dismissed within 60 days of commencement; (e) any representation, warranty or statement made or furnished to Bank by the Borrower is false or misleading in any material respect at the time made or furnished and such default, if capable of being cured, is not cured within 30 days of notice of such default from Bank to Borrower; (f) a judgment, order or arbitral award of at least \$500,000 is rendered against a Loan Party by a court of competent jurisdiction, not subject to further appeal, and such judgment, order or award shall continue unsatisfied and unstayed for more than 30 days of the date thereof; (g) the occurrence of a material adverse change in financial condition of the Borrower; (h) the failure of Triarc Companies, Inc. to pay when due any indebtedness for borrowed money in an aggregate amount of at least \$10,000,000 and such failure is not cured within 30 days of any applicable grace period; and (i) (i) any involuntary bankruptcy proceeding is commenced or filed against Triarc Companies, Inc. or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of any of its properties, and any such proceeding or petition is not dismissed, or such writ, judgment, warrant of attachment, execution or similar process is not released, vacated or fully bonded within 60 days after commencement, filing or levy; (ii) Triarc Companies, Inc. admits the material allegations of a petition against it in any insolvency proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any insolvency proceeding; or (iii) Triarc Companies, Inc. acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar person (other than a pledgee) for a substantial portion of his or its property or business.

11. REMEDIES UPON DEFAULT. Whenever there is an event of default under this Note (a) the entire balance outstanding hereunder and all other obligations of the Borrower to Bank (however acquired or evidenced) shall, at the option of Bank, become immediately due and payable and any obligation of Bank to permit further borrowing under this Note shall immediately cease and terminate, and/or (b) to the extent permitted by law, the Rate of interest on the unpaid principal shall be increased up to the Prime Rate plus three percent per annum (the "Default Rate"). The provisions herein for a Default Rate and a delinquency charge shall not be deemed to extend the time for any payment hereunder or to constitute a "grace period" giving the Borrower a right to cure any default. At Bank's option, any accrued and unpaid interest, fees or charges may, for purposes of computing and accruing interest on a daily basis after the due date of the Note or any

installment thereof, be deemed to be a part of the principal balance, and interest shall accrue on a daily compounded basis after such date at the Default Rate provided in this Note until the entire outstanding balance of principal and interest is paid in full. Upon a default under this Note, Bank is hereby authorized at any time, at its option and without notice or demand to set off and charge against any deposit accounts of the Borrower (as well as any money, instruments, securities, documents, chattel paper, credits, claims, demands, income and any other property, rights and interests of the Borrower), which at any time shall come into the possession or custody or under the control of Bank or any of its agents, affiliates or correspondents, any and all obligations due hereunder. Additionally, Bank shall have all rights and remedies available under each of the Loan Documents, as well as all rights and remedies available at law or in equity.

12. NON-WAIVER. The failure at any time of Bank to exercise any of its options or any other rights hereunder shall not constitute a waiver thereof, nor shall it be a bar to the exercise of any of its options or rights at a later date. All rights and remedies of Bank shall be cumulative and may be pursued singly, successively or together, at the option of Bank. The acceptance by Bank of any partial payment shall not constitute a waiver of any default or of any of Bank's rights under this Note. No waiver of any of its rights hereunder, and no modification or amendment of this Note, shall be deemed to be made by Bank unless the same shall be in writing, duly signed on behalf of Bank; each such waiver shall apply only with respect to the specific instance involved, and shall in no way impair the rights of Bank or the obligations of the Borrower to Bank in any other respect at any other time.

13. APPLICABLE LAW, VENUE AND JURISDICTION. This Note and the rights and obligations of Borrower and Bank shall be governed by and interpreted in accordance with the law of the State of New York. In any litigation in connection with or to enforce this Note or any indorsement or guaranty of this Note or any Loan Documents, the Borrower irrevocably consents to and confers personal jurisdiction on the courts of the State of New York or the United States located within the State of New York and expressly waive any objections as to venue in any such courts. Nothing contained herein shall, however, prevent Bank from bringing any action or exercising any rights within any other state or jurisdiction or from obtaining personal jurisdiction by any other means available under applicable law.

14. PARTIAL INVALIDITY. The unenforceability or invalidity of any provision of this Note shall not affect the enforceability or validity of any other provision herein and the invalidity or unenforceability of any provision of this Note or of the Loan Documents to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

15. BINDING EFFECT. This Note shall be binding upon and inure to the benefit of Borrower and Bank and their respective successors, assigns, heirs and personal representatives, provided, however, that no obligations of Borrower hereunder can be assigned without prior written consent of Bank.

16. CONTROLLING DOCUMENT. To the extent that this Note conflicts with or is in any way incompatible with any other document related specifically to the loan evidenced by this Note, this Note shall control over any other such document, and if this Note does not address an issue, then each other such document shall control to the extent that it deals most specifically with an issue.

17. CONDITIONS TO ALL LOANS. The obligation of the Bank to make any advance hereunder (including the initial advance) shall be subject to the conditions precedent that on the date of such advance:

(a) the following statements shall be true, and the acceptance of the proceeds of each advance by any Borrower shall be deemed to be a representation and warranty of each Borrower on the date of such advance that:

(i) All representations and warranties made by Borrower to the Bank are correct in all material respects on and as of the date of such advance as though made on and as of such date,

(ii) No event has occurred and is continuing, or would result from such advance, which constitutes an event of default hereunder or would constitute an event of default hereunder but for the requirement that notice be given or time elapse or both; and

(iii) No material adverse change in the financial condition or assets of the Borrower shall have occurred and be continuing; and

(b) the making of such advance shall not contravene any law, rule or regulation applicable to the Borrower or the Bank.

18. COMMITMENT FEE. In consideration of the commitment of the Bank to make advances to the Borrower pursuant to the terms and conditions of this Note, the Borrower agrees to pay to the Bank a non-refundable commitment fee of \$75,000, payable in full on the date hereof.

19. AMENDMENT AND RESTATEMENT. This Note amends and restates in its entirety, and constitutes a renewal and extension of, the Second Amended and Restated Promissory Note dated January 15, 1999 by Borrower to the order of Bank, formerly known as NationsBank, N.A., in the original principal amount of \$15,000,000.00.

20. ARBITRATION. ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO INCLUDING BUT NOT LIMITED TO THOSE ARISING OUT OF OR RELATING TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT OR ANY RELATED INSTRUMENTS, AGREEMENTS OR DOCUMENTS, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW), THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OF J.A.M.S./ENDISPUTE OR ANY SUCCESSOR THEREOF ("J.A.M.S."), AND THE "SPECIAL RULES" SET FORTH BELOW. IN THE EVENT OF ANY INCONSISTENCY, THE SPECIAL RULES SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. ANY PARTY TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS AGREEMENT APPLIES IN ANY COURT HAVING JURISDICTION OVER SUCH ACTION.

A. SPECIAL RULES. THE ARBITRATION SHALL BE CONDUCTED IN THE COUNTY OF ANY BORROWER'S DOMICILE AT THE TIME OF THE EXECUTION OF THIS INSTRUMENT, AGREEMENT OR DOCUMENT OR IF THERE IS REAL OR PERSONAL PROPERTY COLLATERAL, IN THE COUNTY WHERE SUCH REAL OR PERSONAL PROPERTY IS LOCATED, AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT AN ARBITRATOR; IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION, THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION; FURTHER, THE ARBITRATOR SHALL ONLY, UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR UP TO AN ADDITIONAL 60 DAYS.

B. RESERVATION OF RIGHTS. NOTHING IN THIS ARBITRATION PROVISION SHALL BE DEEMED TO (I) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY WAIVERS CONTAINED IN THIS INSTRUMENT, AGREEMENT OR DOCUMENT; OR (II) BE A WAIVER BY BANK OF THE

PROTECTION AFFORDED TO IT BY 12 U.S.C. SEC. 91 OR ANY SUBSTANTIALLY EQUIVALENT STATE LAW; OR (III) LIMIT THE RIGHT OF BANK HERETO (A) TO EXERCISE SELF HELP REMEDIES SUCH AS (BUT NOT LIMITED TO) SETOFF, OR (B) TO FORECLOSE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. BANK MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT. NEITHER THIS EXERCISE OF SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN ANY SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES.

BORROWER REPRESENTS TO BANK THAT THE PROCEEDS OF THIS LOAN ARE TO BE USED PRIMARILY FOR BUSINESS, COMMERCIAL OR AGRICULTURAL PURPOSES. BORROWER ACKNOWLEDGES HAVING READ AND UNDERSTOOD, AND AGREES TO BE BOUND BY, ALL TERMS AND CONDITIONS OF THIS NOTE AND HEREBY EXECUTES THIS NOTE UNDER SEAL AS OF THE DATE HERE ABOVE WRITTEN.

NOTICE OF FINAL AGREEMENT. THIS WRITTEN PROMISSORY NOTE REPRESENTS 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 OR ORAL AGREEMENTS BETWEEN THE PARTIES.

BORROWER

CORPORATE OR PARTNERSHIP BORROWER

_____ (Seal)

MIDLAND CREDIT MANAGEMENT, INC.
Corporate or Partnership Name

Print Individual's Name

By: /s/ R. Brooks Sherman, Jr. (Seal)

_____ (Seal)

Name: R. Brooks Sherman, Jr.

Print Individual's Name

Title: Exec. V.P. and CFO

Attest (If Applicable)

[Corporate Seal]

NationsBank, N.A.

Date July 15, 1999

LIMITED GUARANTY

BANK: GUARANTOR:

Bank of America, N.A.
Banking Center:MCM Capital Group, Inc.
500 West First Street
Hutchinson, Kansas 67501101 South Tryon Street
Charlotte, North Carolina 28255

(Name and street address, including county)

(Street address including county)

"BORROWER": MIDLAND CREDIT MANAGEMENT, INC.
(Borrower's Name)

1. GUARANTY. FOR VALUE RECEIVED, and to induce NationsBank, N.A. (Attn: Mark R. Antweil) ("Bank") to make loans or advances or to extend credit or other financial accommodations or benefits, with or without security, to or for the account of Borrower, the undersigned "Guarantor", if more than one, then each of them jointly and severally, hereby becomes surety for and irrevocably and unconditionally guarantees to Bank prompt payment in an amount as provided herein, when due, whether by acceleration or otherwise, of any Liabilities of Borrower to Bank. This Guaranty is cumulative to and does not supersede any other guaranties.

[THIS GUARANTY CONTAINS SOME PROVISIONS PRECEDED BY BOXES. IF A BOX IS MARKED, THE PROVISION APPLIES TO THIS TRANSACTION; IF IT IS NOT MARKED, THE PROVISION DOES NOT APPLY TO THIS TRANSACTION.]

[] This Guaranty is continuing and limited to the amount of \$ _____ dollars principal plus interest owing at any time, plus attorney's fees, cost of expenses of collection incurred and/or the cost of the enforcement of rights in enforcing this Guaranty (including, without limitation, any liability arising from failure to comply with any state or federal laws, rules and regulations concerning the control of hazardous waste or substances at or with respect to any real estate securing any loan guaranteed hereby), plus interest on such attorney's fees and cost of collection.

[X] This Guaranty is limited to the amount of \$15,000,000.00 dollars principal plus interest incurred by Borrower pursuant to that certain promissory note from Borrower to Bank, dated the date hereof (as amended or otherwise modified from time to time, together with any promissory note issued in exchange or replacement therefor, the "Note") in the principal amount of \$15,000,000.00 dollars, including, without limitation, all principal plus interest owing at any time thereunder whether arising by renewal or advance of additional principal which may accrue or be incurred with respect to said promissory note or other Loan Documents, plus reasonable attorney's fees, cost of expenses of collection incurred and/or the cost of the enforcement of rights in enforcing this Guaranty (including, without limitation, any liability arising from failure to comply with any state or federal laws, rules and regulations concerning the control of hazardous waste or substances at or with respect to any real estate securing any loan guaranteed hereby), plus interest on such attorney's fees and cost of collection.

[] This Guaranty is continuing and limited to _____% percent of all principal plus interest owing at any time, plus attorney's fees, cost of expenses of collection incurred and/or the cost of the enforcement of rights in enforcing this Guaranty (including, without limitation, any liability arising from failure to comply with any state or federal laws, rules and regulations concerning the control of hazardous waste or substances at or with respect to any real estate securing any loan guaranteed hereby), plus interest on such attorney's fees and cost of collection.

[] This Guaranty is limited to _____% percent of all principal plus interest incurred by Borrower

pursuant to that certain promissory note or other Loan Documents from Borrower to Bank, dated _____, 199__ in the principal amount of \$_____ dollars, including, without limitation, all principal plus interest arising thereunder whether arising by renewal or advance of additional principal which may accrue or be incurred with respect to said promissory note or other Loan Documents, plus attorney's fees, cost of expenses of collection incurred and/or the cost of the enforcement of rights in enforcing this Guaranty (including, without limitation, any liability arising from failure to comply with any state or federal laws, rules and regulations concerning the control of hazardous waste or substances at or with respect to any real estate securing any loan guaranteed hereby), plus interest on such attorney's fees and cost of collection.

Except to the extent limited above, Guarantor unconditionally guarantees the faithful, prompt and complete compliance by Borrower with all Obligations (as hereinafter defined). The undertakings of Guarantor hereunder are independent of the Liabilities and Obligations of Borrower and a separate action or actions for payment, damages or performance may be brought or prosecuted against Guarantor, whether or not an action is brought against Borrower or to realize upon the security for the Liabilities and/or Obligations, whether or not Borrower is joined in any such action or actions, and whether or not notice is given or demand is made upon Borrower.

Bank shall not be required to proceed first against Borrower, or any other person or entity, whether primarily or secondarily liable, or against any collateral held by it, before resorting to Guarantor for payment, and Guarantor shall not be entitled to assert as a defense to the enforceability of the Guaranty any defense of Borrower with respect to any Liabilities or Obligations.

2. PARAGRAPH HEADINGS, GOVERNING LAW AND BINDING EFFECT. Guarantor agrees that the paragraph headings in this Guaranty are for convenience only and that they will not limit any of the provisions of this Guaranty. Guarantor further agrees that this Guaranty shall be governed by and construed in accordance with the laws of the State of New York and applicable United States federal law. Guarantor further agrees that this Guaranty shall be deemed to have been made in the State of New York at Bank's address indicated above, and shall be governed by, and construed in accordance with, the laws of the State of New York, or the United States courts located within the State of New York, and is performable in the State of New York. This Guaranty is binding upon Guarantor, his, their or its executors, administrators, successors or assigns, and shall inure to the benefit of Bank, its successors, indorsees or assigns. Anyone executing this Guaranty shall be bound by the terms hereof without regard to execution by anyone else.

3. DEFINITIONS.

A. "Guarantor" shall mean Guarantor or any one or more of them.

B. "Liability" or "Liabilities" shall mean without limitation, all liabilities, indebtedness, and obligations of Borrower to Bank under the Note whether direct or indirect, absolute or contingent, secured or unsecured, due or not due, contractual or tortious, liquidated or unliquidated, arising by operation of law or otherwise, now or hereafter existing. If Borrower is a partnership, corporation or other entity the term "Liability" or "Liabilities" as used herein shall include all Liabilities to Bank of any successor entity or entities.

C. "Loan Documents" shall mean all deeds to secure debt, deeds of trust, mortgages, security agreements and other documents securing payment of the Liabilities and all notes and other agreements, documents, and instruments evidencing or relating to the Liabilities and Obligations.

D. "Obligation" or "Obligations" shall mean all terms, conditions, covenants, agreements and undertakings of Borrower and/or Guarantor under all notes and other documents evidencing the Liabilities, and under all deeds to secure debt, deeds of trust, mortgages, security agreements and other agreements, documents and instruments executed in connection with the Liabilities or related thereto.

4. WAIVERS BY GUARANTOR. Guarantor waives notice of acceptance of this Guaranty, notice of any

Liabilities or Obligations to which it may apply, presentment, demand for payment, protest, notice of dishonor or nonpayment of any Liabilities, notice of intent to accelerate, notice of acceleration, and notice of any suit or the taking of other action by Bank against Borrower, Guarantor or any other person, any applicable statute of limitations and any other notice to any party liable on any Loan Document (including Guarantor).

Until the Liabilities and Obligations have been paid in full in cash, each Guarantor also hereby waives any claim, right or remedy which such Guarantor may now have or hereafter acquire against Borrower that arises hereunder and/or from the performance by any other Guarantor hereunder including, without limitation, any claim, remedy or right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim, right or remedy of Bank against Borrower or against any security which Bank now has or hereafter acquires, whether or not such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise.

Guarantor also waives the benefits of any provision of law requiring that Bank exhaust any right or remedy, or take any action, against Borrower, any Guarantor, any other person and/or property.

Bank may at any time and from time to time (whether before or after revocation or termination of this Guaranty) without notice to Guarantor (except as required by law), without incurring responsibility to Guarantor, without impairing, releasing or otherwise affecting the Obligations of Guarantor, in whole or in part, and without the indorsement or execution by Guarantor of any additional consent, waiver or guaranty: (a) change the manner, place or terms of payment, or change or extend the time of or renew, or change any interest rate or alter any Liability or Obligation or installment thereof, or any security therefor provided that none of the foregoing will increase the obligations of the Guarantor hereunder in excess of the amounts set forth in paragraph 1; (b) loan additional monies or extend additional credit to Borrower, with or without security, thereby creating new Liabilities or Obligations the payment or performance of which shall be guaranteed hereunder, and the Guaranty herein made shall apply to the Liabilities and Obligations as so changed, extended, surrendered, realized upon or otherwise altered provided that none of the foregoing will increase the obligations of the Guarantor hereunder in excess of the amounts set forth in paragraph 1; (c) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property at any time pledged or mortgaged to secure the Liabilities or Obligations and any offset there against; (d) exercise or refrain from exercising any rights against Borrower or others (including Guarantor) or act or refrain from acting in any other manner; (e) settle or compromise any Liability or Obligation or any security therefor and subordinate the payment of all or any part thereof to the payment of any Liability or Obligation of any other parties primarily or secondarily liable on any of the Liabilities or Obligations; (f) release or compromise any Liability of Guarantor hereunder or any Liability or Obligation of any other parties primarily or secondarily liable on any of the Liabilities or Obligations; or (g) apply any sums from any sources to any Liability without regard to any Liabilities remaining unpaid.

5. SUBORDINATION. Upon demand of Bank, Guarantor agrees that it will not demand, take or receive from Borrower, by set-off or in any other manner, payment of any debt, now and at any time or times hereafter owing by Borrower to Guarantor unless and until all the Liabilities and Obligations shall have been fully paid and performed, and any security interest, liens or encumbrances which Guarantor now has and from time to time hereafter may have upon any of the assets of Borrower shall be made subordinate, junior and inferior and postponed in priority, operation and effect to any security interest of Bank in such assets.

6. WAIVERS BY BANK. No delay on the part of Bank in exercising any of its options, powers or rights, and no partial or single exercise thereof, shall constitute a waiver thereof. No waiver of any of its rights hereunder, and no modification or amendment of this Guaranty, shall be deemed to be made by Bank unless the same shall be in writing, duly signed on behalf of Bank; and each such waiver, if any, shall apply only with respect to the specific instance involved, and shall in no way impair the rights of Bank or the obligations of Guarantor to Bank in any other respect at any other time.

7. TERMINATION. This Guaranty shall be binding on each Guarantor until written notice of revocation signed by such Guarantor or written notice of the death of such Guarantor shall have been received by

Bank, notwithstanding change in name, location, composition or structure of, or the dissolution, termination or increase, decrease or change in personnel, owners or partners of Borrower, or any one or more of Guarantors. No notice of revocation or termination hereof shall affect in any manner rights arising under this Guaranty with respect to Liabilities or Obligations that shall have been committed, created, contracted, assumed or incurred prior to receipt of such written notice pursuant to any agreement entered into by Bank prior to receipt of such notice. The sole effect of such notice of revocation or termination hereof shall be to exclude from this Guaranty, Liabilities or Obligations thereafter arising that are unconnected with Liabilities or Obligations theretofore arising or transactions entered into theretofore.

In the event of the death of a Guarantor, the liability of the estate of the deceased Guarantor shall continue in full force and effect as to (i) the Liabilities existing at the date of death, and any renewals or extensions thereof, and (ii) loans or advances made to or for the account of Borrower after the date of the death of the deceased Guarantor pursuant to a commitment made by Bank to Borrower prior to the date of such death. As to all surviving Guarantors, this Guaranty shall continue in full force and effect after the death of a Guarantor, not only as to the Liabilities existing at that time, but also as to Liabilities thereafter incurred by Borrower to Bank.

8. PARTIAL INVALIDITY AND/OR ENFORCEABILITY OF GUARANTY. The unenforceability or invalidity of any provision of this Guaranty shall not affect the enforceability or validity of any other provision herein and the invalidity or unenforceability of any provision of any Loan Document as it may apply to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

In the event Bank is required to relinquish or return the payments, the collateral or the proceeds thereof, in whole or in part, which had been previously applied to or retained for application against any Liability, by reason of a proceeding arising under the Bankruptcy Code, or for any other reason, this Guaranty shall automatically continue to be effective notwithstanding any previous cancellation or release effected by Bank.

9. NOTICES. Notice shall be deemed reasonable if mailed postage prepaid at least five (5) days before the related action to the address of Guarantor or Bank, at their respective addresses indicated at the beginning of this Guaranty, or to such other address as any party may designate by written notice to the other party. Each notice, request and demand shall be deemed given or made, if sent by mail, upon the earlier of the date of receipt or five (5) days after deposit in the U.S. Mail, first class postage prepaid, or if sent by any other means, upon delivery.

10. GUARANTOR DUTIES. Guarantor shall upon notice or demand by Bank promptly and with due diligence pay all Liabilities and perform and satisfy all Obligations for the benefit of Bank in the event of the occurrence of any default under any Loan Documents.

11. REMEDIES. Upon the failure of Guarantor to fulfill its duty to pay all Liabilities and perform and satisfy all Obligations as required hereunder, Bank shall have all of the remedies of a creditor and, to the extent applicable, of a secured party, under all applicable law, and without limiting the generality of the foregoing, Bank may, at its option and without notice or demand: (a) declare any Liability due and payable at once; (b) take possession of any collateral pledged by Borrower or Guarantor wherever located, and sell, resell, assign, transfer and deliver all or any part of said collateral of Borrower or Guarantor at any public or private sale or otherwise dispose of any or all of the collateral in its then condition, for cash or on credit or for future delivery, and in connection therewith Bank may impose reasonable conditions upon any such sale, and Bank, unless prohibited by law the provisions of which cannot be waived, may purchase all or any part of said collateral to be sold, free from and discharged of all trusts, claims, rights of redemption and equities of Borrower or Guarantor whatsoever; Guarantor acknowledges and agrees that the sale of any collateral through any nationally recognized broker-dealer, investment banker or any other method common in the securities industry shall be deemed a commercially reasonable sale under the Uniform Commercial Code or any other equivalent statute or federal law, and expressly waives notice thereof except as provided herein; and (c) set-off against any or all liabilities of Guarantor all money owed by Bank or any of its agents or affiliates in any capacity to Guarantor whether or not due, and also set-off against

all other Liabilities of Guarantor to Bank all money owed by Bank in any capacity to Guarantor, and if exercised by Bank, Bank shall be deemed to have exercised such right of set-off and to have made a charge against any such money immediately upon the occurrence of such default although made or entered on the books subsequent thereto.

Bank shall have a properly perfected security interest in all of Guarantor's funds on deposit with Bank to secure the balance of any Liabilities and/or Obligations that Guarantor may now or in the future owe Bank. Bank is granted a contractual right of set-off and will not be liable for dishonoring checks or withdrawals where the exercise of Bank's contractual right of set-off or security interest results in insufficient funds in Guarantor's account. As authorized by law, Guarantor grants to Bank this contractual right of set-off and security interest in all property of Guarantor now or at anytime hereafter in the possession of Bank, including but not limited to any joint account, special account, account by the entireties, tenancy in common, and all dividends and distributions now or hereafter in the possession or control of Bank.

12. ATTORNEY FEES, COST AND EXPENSES. Guarantor shall pay all costs of collection and reasonable attorney's fees, including reasonable attorney's fees in connection with any suit, mediation or arbitration proceeding, out of Court payment agreement, trial, appeal, bankruptcy proceedings or otherwise, incurred or paid by Bank in enforcing the payment of any Liability or defending this agreement.

[] CHECK IF APPLICABLE. In addition to the provisions stated above, Guarantor hereby pledges, assigns and grants to Bank a security interest in and title to the collateral described in the security agreement, deed of trust, deed to secure debt, mortgage or other collateral instrument dated _____, 199__ which collateral, except for any margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), shall secure this Guaranty, whether currently existing or arising in the future. Guarantor agrees to execute such security agreements, financing statements and other documents as Bank may reasonably require or request to obtain and perfect its security interest in said collateral.

13. PRESERVATION OF PROPERTY. Bank shall not be bound to take any steps necessary to preserve any rights in any property pledged as collateral to Bank to secure Borrower and/or Guarantor's Liabilities and Obligations as against prior parties who may be liable in connection therewith, and Borrower and Guarantor hereby agree to take any such steps. Bank, nevertheless, at any time, may (a) take any action it deems appropriate for the care or preservation of such property or of any rights of Borrower and/or Guarantor or Bank therein; (b) demand, sue for, collect or receive any money or property at any time due, payable or receivable on account of or in exchange for any property pledged as collateral to Bank to secure Borrower and/or Guarantor's Liabilities to Bank; (c) compromise and settle with any person liable on such property; or (d) extend the time of payment or otherwise change the terms of the Loan Documents as to any party liable on the Loan Documents, all without notice to, without incurring responsibility to, and without affecting any of the Obligations or Liabilities of Guarantor.

14. ARBITRATION. ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO INCLUDING BUT NOT LIMITED TO THOSE ARISING OUT OF OR RELATING TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT OR ANY RELATED INSTRUMENTS, AGREEMENTS OR DOCUMENTS, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW), THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OF J.A.M.S./ENDISPUTE OR ANY SUCCESSOR THEREOF ("J.A.M.S."), AND THE "SPECIAL RULES" SET FORTH BELOW. IN THE EVENT OF ANY INCONSISTENCY, THE SPECIAL RULES SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. ANY PARTY TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS AGREEMENT APPLIES IN ANY COURT HAVING JURISDICTION OVER SUCH ACTION.

A. SPECIAL RULES. THE ARBITRATION SHALL BE CONDUCTED IN THE COUNTY OF ANY BORROWER'S DOMICILE, OR IF THERE IS REAL OR PERSONAL PROPERTY COLLATERAL, IN THE COUNTY WHERE SUCH REAL OR PERSONAL PROPERTY IS LOCATED AT THE TIME OF THE EXECUTION OF THIS INSTRUMENT, AGREEMENT OR DOCUMENT AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT AN ARBITRATOR; IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION, THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION; FURTHER, THE ARBITRATOR SHALL ONLY, UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR UP TO AN ADDITIONAL 60 DAYS.

B. RESERVATION OF RIGHTS. NOTHING IN THIS ARBITRATION PROVISION SHALL BE DEEMED TO (I) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY WAIVERS CONTAINED IN THIS INSTRUMENT, AGREEMENT OR DOCUMENT; OR (II) BE A WAIVER BY BANK OF THE PROTECTION AFFORDED TO IT BY 12 U.S.C. SEC. 91 OR ANY SUBSTANTIALLY EQUIVALENT STATE LAW; OR (III) LIMIT THE RIGHT OF BANK HERETO (A) TO EXERCISE SELF HELP REMEDIES SUCH AS (BUT NOT LIMITED TO) SETOFF, OR (B) TO FORECLOSE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. BANK MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT. NEITHER THIS EXERCISE OF SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN ANY SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES.

15. CONTROLLING DOCUMENT. To the extent that this Limited Guaranty conflicts with or is in any way incompatible with any other Loan Document concerning this Obligation, any promissory note shall control over any other document, and if such promissory note does not address an issue, then each other document shall control to the extent that it deals most specifically with an issue.

16. EXECUTION UNDER SEAL. This Guaranty is being executed under seal by Guarantor.

17. NOTICE OF FINAL AGREEMENT. THIS WRITTEN LIMITED GUARANTY REPRESENTS 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.

NationsBank
North Carolina (Commercial)

- 6 -

Limited Guaranty
2/96

NationsBank, N.A.

IN WITNESS WHEREOF, the undersigned has caused this Guaranty to be executed as of and effective as of the 15th day of July, 1999.

WITNESSED BY:

GUARANTOR:

(Seal)

Print Name and Title

Print Individual's Name

CORPORATE OR PARTNERSHIP GUARANTOR:

MCM CAPITAL GROUP, INC.
(Name of Corporation, Partnership, etc.)

By: /s/ R. Brooks Sherman, Jr. (Seal)

Name: R. Brooks Sherman, Jr.

Title: Exec. V.P. and CFO

Attest (If Applicable)

[Corporate Seal]

INDIVIDUAL ACKNOWLEDGMENT

State of)
)
County of)

This instrument was acknowledged before me on _____, 199__, by _____.
(Guarantor)

(Seal)

Notary Public
in and for the State of

My Commission Expires

Print Name of Notary

CORPORATE ACKNOWLEDGMENT

State of Arizona)
)
County of Maricopa)

This instrument was acknowledged before me on 8/10, 1999, by R. Brooks Sherman, Jr. of MCM Capital Group, a Delaware corporation, on behalf of said corporation.

(Seal)

/s/ Stacy L. Vobach
Notary Public
in and for the State of Arizona

My Commission Expires
4/28/02

Print Name of Notary
Stacy L. Vobach

NationsBank
North Carolina (Commercial)

Limited Guaranty
2/96

This schedule contains summary income statement information for the six month period ended June 30, 1999 and balance sheet information as of June 30, 1999 extracted from the condensed consolidated financial statements included in the accompanying Form 10-Q of MCM Capital Group, Inc. for the six month period ended June 30, 1999 and is qualified in its entirety by reference to such Form 10-Q.

0001084961
MCM CAPITAL GROUP, INC.
1,000

6-MOS	
DEC-31-1999	
JAN-1-1999	
JUN-30-1999	2,828
	26,911
	19,263
	0
	0
	0
	6,292
	1,720
	56,095
1,890	
	31,668
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	0
	49
	12,443
56,095	
	0
	9,741
	0
	11,352
	(148)
	0
	640
	(2,103)
	841
(1,262)	
	0
	0
	0
	(1,262)
	(0.26)
	(0.26)