

EZCORP INC  
Form 10-K  
November 23, 2011

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-K**

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

**For the Fiscal Year Ended September 30, 2011**

**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 No. 000-19424  
EZCORP, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or  
organization)

**74-2540145**

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

**1901 Capital Parkway**

**Austin, Texas**

(Address of principal executive offices)

**78746**

(Zip Code)

Registrant's telephone number, including area code:

**(512) 314-3400**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class

**Class A Non-voting Common Stock, \$.01 par value  
per share**

Name of Each Exchange on Which Registered

**The NASDAQ Stock Market**

**(NASDAQ Global Select Market)**

Securities Registered Pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosures of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Edgar Filing: EZCORP INC - Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
---	--	--	---

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The only class of voting securities of the registrant issued and outstanding is the Class B Voting Common Stock, par value \$.01 per share, all of which is owned by an affiliate of the registrant. There is no trading market for the Class B Voting Common Stock. The aggregate market value of the Class A Non-voting Common Stock held by non-affiliates of the registrant was \$1,449 million, based on the closing price on the NASDAQ Stock Market on March 31, 2011.

As of October 31, 2011, 47,387,572 shares of the registrant's Class A Non-voting Common Stock, par value \$.01 per share and 2,970,171 shares of the registrant's Class B Voting Common Stock, par value \$.01 per share were outstanding.

Documents incorporated by reference: None

---

**EZCORP, INC.**  
**YEAR ENDED SEPTEMBER 30, 2011**  
**INDEX TO FORM 10-K**

<u>Item</u> <u>No.</u>	<u>Page</u> <u>No.</u>
<b>INTRODUCTION</b>	
<b><u>PART I</u></b>	
<u>1. Business</u>	3
<u>1A. Risk Factors</u>	16
<u>1B. Unresolved Staff Comments</u>	20
<u>2. Properties</u>	21
<u>3. Legal Proceedings</u>	23
<u>4. Removed and Reserved</u>	23
<b><u>PART II</u></b>	
<u>5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	24
<u>6. Selected Financial Data</u>	26
<u>7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	27
<u>7A. Quantitative and Qualitative Disclosures About Market Risk</u>	47
<u>8. Financial Statements and Supplementary Data</u>	48
<u>9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	81
<u>9A. Controls and Procedures</u>	81
<u>9B. Other Information</u>	83
<b><u>PART III</u></b>	
<u>10. Directors, Executive Officers and Corporate Governance</u>	84
<u>11. Executive Compensation</u>	89
<u>12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	106
<u>13. Certain Relationships and Related Transactions, and Director Independence</u>	108
<u>14. Principal Accountant Fees and Services</u>	111
<b><u>PART IV</u></b>	
<u>15. Exhibits and Financial Statement Schedules</u>	112
<u>Signatures</u>	115
<u>Exhibit Index</u>	116
<u>EX-21.1</u>	
<u>EX-23.1</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	

[EX-101 SCHEMA DOCUMENT](#)

[EX-101 CALCULATION LINKBASE DOCUMENT](#)

[EX-101 LABELS LINKBASE DOCUMENT](#)

[EX-101 PRESENTATION LINKBASE DOCUMENT](#)

[EX-101 DEFINITION LINKBASE DOCUMENT](#)

---

**Table of Contents**

**PART I**

This report contains forward-looking statements that are based on our current expectations. Actual results in future periods may differ materially from those expressed or implied by those forward-looking statements because of a number of risks and uncertainties. For a discussion of risk factors affecting our business and prospects, see Part I Item 1A Risk Factors.

**Item 1. Business**

**General**

EZCORP, Inc. is a Delaware corporation headquartered in Austin, Texas. We are a leading provider of specialty consumer financial services and a reseller of second-hand goods. We provide collateralized, non-recourse loans, commonly known as pawn loans, and a variety of financial services including payday loans, installment loans and auto title loans, or fee-based credit services to customers seeking loans.

At September 30, 2011, we operated a total of 1,111 locations, consisting of 433 U.S. pawn stores (operating as EZPAWN or Value Pawn), 178 pawn stores in Mexico (operating as Empeño Fácil or Empeñe Su Oro), 436 U.S. financial services stores (operating primarily as EZMONEY), 49 financial services stores in Canada (operating as CASHMAX) and 15 financial and retail services stores in Canada (operating as Cash Converters). We own almost 30% of Albemarle & Bond Holdings, PLC, one of the United Kingdom's largest pawnbroking businesses with over 150 stores, and almost 33% of Cash Converters International Limited, which franchises and operates a worldwide network of over 600 locations that provide financial services and buy and sell second-hand goods. In fiscal 2011, we acquired the Cash Converters master franchise rights in Canada and became the franchisor of 13 franchised stores. We are in the process of rebranding the majority of our Canadian stores as Cash Converters stores and introducing into them the buying and selling of second-hand goods.

At our pawn stores, we offer pawn loans, which are non-recourse loans collateralized by tangible personal property, and sell merchandise to customers looking for good value. The merchandise we sell consists of second-hand collateral forfeited from our pawn lending activities or purchased from customers and new or refurbished merchandise from third party vendors. At our financial services stores and at some of our pawn stores, we offer a variety of loan products, including single-payment, non-collateralized payday loans with maturity dates typically ranging from 7 to 30 days; non-collateralized installment loans that may be repaid over extended periods of up to seven months; 30-day loans secured by automobile titles; and revolving lines of credit both unsecured and secured by automobile titles. In our Cash Converters stores, we also buy and sell second-hand goods. Our financial services stores in Texas do not offer loan products themselves, but rather offer credit services to help customers obtain loans from independent third-party lenders. Some of our Texas pawn stores also offer credit services in addition to pawn loans.

In many of our stores and online, customers may obtain our general-purpose, branded reloadable debit cards (called the Change Card). Customers may elect to deposit their payroll to the card either through direct deposit or by loading paper checks onto the card, and may elect to receive loan proceeds on the card. Among other services, customers may then use the cards to withdraw cash, make purchases at any vendor accepting branded debit cards, pay bills online, establish a savings account and invest in a mutual fund. The cards are issued by a bank, and we receive a portion of the fees charged for activity on the cards.

Our business consists of three reportable segments. The U.S. Pawn Operations segment operates only in the United States. The Empeño Fácil segment operates only in Mexico. The EZMONEY Operations segment operates 430 stores in the United States and 64 stores in Canada. For revenues, profitability, assets and other information attributable to each of our segments, see Note R, Operating Segment Information to our consolidated financial statements contained in Item 8 of this annual report.

**Table of Contents**

The following table presents store data by segment:

	Fiscal Year Ended September 30, 2011				
	Company-owned Stores EZMONEY				
	U.S. Pawn Operations	Empeño Fácil	Operations	Consolidated	Franchises
Stores in operation:					
Beginning of period	396	115	495	1,006	
New openings	10	57	15	82	1
Acquired	34	6		40	13
Sold, combined or closed	(1)		(16)	(17)	(1)
End of period	439	178	494	1,111	13

The following components comprised our total revenues:

	Fiscal Years Ended September 30,		
	2011	2010	2009
Merchandise sales	33%	33%	35%
Jewelry scrapping sales	24%	24%	20%
Pawn service charges	23%	22%	22%
Signature loan (including credit service) fees	17%	19%	22%
Auto title loan (including credit service) fees	3%	2%	1%
Total revenues	100%	100%	100%

**Pawn and Retail Activities**

Our pawn stores make pawn loans, which are typically small, non-recourse loans collateralized by tangible personal property. At September 30, 2011, we had an aggregate pawn loan principal balance of \$145.3 million, and the average pawn loan was approximately \$120. We earn pawn service charge revenue on our pawn lending. In the year ended September 30, 2011 ( fiscal 2011 ), pawn service charges accounted for approximately 23% of our total revenues and 38% of our net revenues.

While allowable service charges vary by state and loan size, a majority of our U.S. pawn loans earn 20% per month. Our average U.S. pawn loan amount typically ranges between \$125 and \$135 but varies depending on the valuation of each item pawned. The total U.S. loan term ranges between 60 and 120 days, consisting of the primary term and grace period. In Mexico, pawn service charges range from 15% to 21% per month including applicable taxes, with the majority of loans earning 21%. The total Mexico pawn loan term is 40 days, consisting of the primary term and grace period. Individual loans are made in Mexican pesos and vary depending on the valuation of each item pawned, but typically equate to between \$65 and \$70 U.S. dollars. In fiscal 2011, 2010 and 2009, approximately 81%, 80% and 79%, respectively, of our pawn loans were redeemed in full or were renewed or extended.

Collateral for our pawn loans consists of tangible personal property, generally jewelry, consumer electronics, tools, sporting goods and musical instruments. Approximately 62% of our pawn loan collateral is jewelry, and the vast majority of that is gold jewelry. We do not evaluate the creditworthiness of a pawn customer, but rely on the estimated resale value of the collateral and the perceived probability of the loan's redemption. We generally lend from 25% to 65% of the pledged property's estimated resale value depending on an evaluation of these factors. The sources of information we use to determine the resale value of collateral include our computerized valuation software, gold values, internet retail and auction sites, catalogues, newspaper advertisements and previous sales of similar merchandise.

The collateral is held through the duration of the loan, which the customer may renew or extend by paying accrued pawn service charges. Through our lending guidelines, we maintain an annual redemption rate (the percentage of loans made that are repaid, renewed or extended) between 79% and 82%. If a customer does not repay, renew or extend a loan, the collateral is forfeited to us and becomes inventory available for sale. We do not record loan losses or charge-offs of pawn loans because the principal amount of an unpaid loan becomes the inventory carrying cost of the forfeited collateral. We provide an inventory valuation allowance to ensure that this forfeited collateral is valued at the lower of cost or market.



**Table of Contents**

The table below shows our dollar amount of pawn loan activity for fiscal 2011, 2010 and 2009:

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In millions)</i>		
Loans made	\$ 505.2	\$ 416.4	\$ 340.3
Loans repaid	(273.5)	(222.2)	(181.3)
Loans forfeited	(215.3)	(177.8)	(155.7)
Loans acquired in business acquisitions	8.6	2.7	23.3
Change due to foreign currency exchange fluctuations	(0.9)	0.4	(0.9)
Net increase in pawn loans outstanding at the end of the year	\$ 24.1	\$ 19.5	\$ 25.7
Loans renewed	\$ 173.4	\$ 124.8	\$ 107.1
Loans extended	\$ 979.6	\$ 805.3	\$ 592.4

The redemption rate of pawn loans and the gross profit realized on the sale of forfeited collateral are dependent on the loan value of customer merchandise. Jewelry, which makes up approximately 62% of the value of collateral, can be appraised based on weight, gold content, style and value of gemstones. Other items pawned typically consist of consumer electronics, tools, sporting goods, and musical instruments. These are evaluated based on recent sales experience and the selling price of similar new merchandise, adjusted for age, wear, and obsolescence.

At the time a pawn transaction is made, a pawn loan agreement (called a pawn ticket) is given to the customer. The pawn ticket shows the name and address of the pawn store and the customer, the customer's identification information, the date of the loan, a detailed description of the pledged goods, the amount financed, the pawn service charge, the maturity date of the loan, the total amount that must be paid to redeem the loan and the annual percentage rate.

In our pawn stores and certain financial services stores, we acquire inventory for retail sales through pawn loan forfeitures and through purchases of customers' merchandise and purchases of new or refurbished merchandise from third party vendors. The gross profit on sales of inventory depends primarily on our assessment of the loan or purchase value at the time the property is either accepted as loan collateral or purchased. Improper value assessment in the lending or purchasing process can result in lower margins or reduced marketability of the merchandise. During fiscal 2011, 2010 and 2009, we realized gross margins on sales of 43%, 42% and 40%, respectively.

Jewelry sales represent approximately half of our total sales, with the remaining sales consisting primarily of consumer electronics, tools, sporting goods and musical instruments. We believe our ability to offer quality second-hand goods and refurbished goods at prices significantly lower than original retail prices attracts value-conscious customers.

During the three most recent fiscal years, sources of inventory additions were:

	Fiscal Years Ended September 30,		
	2011	2010	2009
Forfeited pawn loan collateral	68%	69%	69%
Purchases from customers	30%	30%	22%
Acquired in business acquisitions	2%	1%	9%

For fiscal 2011, 2010 and 2009, retail activities and jewelry scrapping (sales of precious metals and gemstones to refiners and gemstone wholesalers) accounted for approximately 57%, 56% and 55% of our total revenues, or 37%, 36% and 35% net revenues respectively, after deducting the cost of goods sold. As a significant portion of our inventory and sales involve gold jewelry, our results can be heavily influenced by the market price of gold, which has increased over the past several years.

Customers may purchase an extended return plan (called a product protection plan) that allows them to return or exchange certain general (non-jewelry) merchandise sold through our retail pawn operations within three to six

months of purchase. We recognize the fees for this service as revenue ratably over the three to six month period.

**Table of Contents**

We also offer a jewelry VIP package, which guarantees customers a minimum future pawn loan amount on the item sold, allows them full credit if they trade in the item to purchase a more expensive piece of jewelry, and provides minor repair service on the item sold. These fees are recognized upon sale. Customers may also purchase an item on layaway by paying a minimum layaway deposit of typically 10% to 20% of the item's sale price. We hold the item for a 60 to 180-day period, during which the customer is required to pay the balance of the sales price. The initial deposit and subsequent payments are recorded as customer layaway deposits. Layaways are recorded as sales when paid in full. As of September 30, 2011, we held \$6.2 million in customer layaway deposits. We record product protection, jewelry VIP and layaway fees as sales revenue, as they are incidental to sales of merchandise.

Our inventory is stated at the lower of cost or market. We record a valuation allowance for obsolete or slow-moving inventory based on the type and age of merchandise. We generally establish a higher allowance percentage on general merchandise, as it is more susceptible to obsolescence, and establish a lower allowance percentage on jewelry, as it retains much greater commodity value. The total allowance was 9.5% of gross inventory at September 30, 2011 compared to 7.4% at September 30, 2010. The higher valuation allowance is reflective of a shift in inventory from jewelry to general merchandise, as the change in the aging of inventory remained relatively flat, with 12.2% aged greater than one year at September 30, 2011 compared to 12.0% at September 30, 2010.

**Financial Services**

We also offer a variety of financial services to customers who do not have access to other sources of credit. Many customers find our financial services a more attractive alternative than borrowing from friends or family or incurring insufficient fund fees, overdraft protection fees, utility reconnect fees and other charges imposed when they have insufficient cash to meet their needs. By utilizing our financial services, customers can exercise greater control of their personal finances without damaging the relationships they have with their merchants, service providers and family members.

The specific financial services offered varies by location, but generally include some or all of the following:

*Signature Loans* Short-term non-collateralized loans are sometimes referred to as signature loans. We offer three principal types of signature loans:

*Payday loans* Payday loans are short-term loans (generally less than 30 days and averaging about 16 days) with due dates corresponding to the customer's next payday. Principal amounts of payday loans can be up to \$1,500, but average approximately \$435. We typically charge a fee of 15% to 22% of the loan amount for a 7 to 23-day period.

*Installment loans* Installment loans are subject to state law and typically carry a term of four to seven months, with a series of equal installment payments due monthly, semi-monthly or on customers' paydays. Total interest and fees on these loans vary in accordance with state law and loan terms, but over the entire loan term, total approximately 45% to 130% of the original principal amount of the loan. Installment loan principal amounts range from \$100 to \$3,000, but average approximately \$530.

*Line of credit* Revolving lines of credit operate similarly to a typical credit card. Customers may borrow as needed, may fully repay borrowed amounts at any point, and are billed at regular intervals with certain minimum principal and fee payment requirements due in each billing cycle. Billing cycle due dates range from two weeks to a month and generally correspond with customers' paydays. Customers may borrow up to their approved credit line, and may re-borrow any repaid amounts. We provide lines of credit ranging from \$100 to \$700 and typically charge an annual fee of \$30 per account and a monthly fee approximating 43% of the amount borrowed.

*Auto Title Loans* We offer two principal types of auto title loans:

*Single payment auto title loans* Single payment auto title loans are 30-day loans collateralized by the titles to customers' automobiles. Loan principal amounts range from \$100 to \$10,000, but average about \$810. Loan amounts are established based on customers' income levels, an inspection

**Table of Contents**

of the automobile and title and reference to market values of used automobiles. We earn a fee of 12.5% to 25% of auto title loan amounts.

Auto title line of credit the terms and fee structure of auto title lines of credit are similar to those of unsecured lines of credit described above, except that they are secured by the titles to customers' automobiles. We provide lines of credit ranging from \$100 to \$8,000 and typically charge an initial lien fee per account and a monthly fee approximating 25% of the amount borrowed.

*Debit Cards* In many of our stores and online, customers may obtain general-purpose, branded reloadable debit cards. Customers may elect to deposit their payroll to the card either through direct deposit or by loading paper checks onto the card, and may elect to receive certain types of loan proceeds on the card. Among other services, customers may then use the cards to withdraw cash, make purchases at any vendor accepting branded debit cards, pay bills online, and invest in a mutual fund. The cards are issued by a more bank, and we receive a portion of the fees charged for activity on the cards.

In our Texas stores, we do not offer loans themselves, but offer fee-based credit services to customers seeking loans. In these locations, we act as a credit services organization (or CSO) on behalf of customers in accordance with applicable state and local laws, and offer advice and assistance to customers in obtaining loans from unaffiliated lenders. Our services include arranging loans with independent third-party lenders, assisting in the preparation of loan applications and loan documents and accepting loan payments for the lenders. We do not make, fund or participate in the loans made by the lenders, but we assist customers in obtaining credit and enhance their creditworthiness by issuing letters of credit to guarantee customers' payment obligations to the independent third-party lenders. For credit services in connection with arranging a payday loan (average loan amount of about \$520), our fee is 21.75% of the loan amount. For credit services in connection with arranging an unsecured installment loan (average loan amount of about \$2,015), our fee is 10% of the initial loan amount with each semi-monthly or bi-weekly installment payment. For credit services in connection with arranging an auto title loan (average loan amount of about \$840), the fee is 25% of the loan amount.

Single-payment payday loans are considered defaulted if they are not repaid or renewed by the maturity date, outstanding amounts on unsecured lines of credit are considered defaulted if customers do not timely make one required scheduled payment and installment loans are considered defaulted if the customer has failed to make two consecutive installment payments. Although defaulted loans may be collected later, we charge the loan principal to bad debt upon default, leaving only active loans in the reported balance. Subsequent collections of principal are recorded as a reduction of bad debt at the time of collection. Accrued service charges related to defaulted loans are deducted from service charge revenue upon loan default, and increase service charge revenue upon subsequent collection. We provide for a valuation allowance on both the principal and service charges receivable based on recent default and collection experience. Our signature loan balance represents the principal amount of all active (non-defaulted) loans, net of this valuation allowance.

If a credit service customer defaults on a loan, we pay the lender the principal and accrued interest due under the loan and an insufficient funds fee or late fee and charge those amounts to bad debt expense. We then attempt to collect those amounts from the customer. Subsequent recoveries are recorded as a reduction of bad debt at the time of collection. We also record as bad debt expense an accrual of expected losses for principal, interest and insufficient fund fees and late fees we expect to pay the lenders on default of the lenders' current loans. This estimate is based on recent default and collection experience and the amount of loans the lenders have outstanding.

The table below shows the dollar amount of our signature loan activity for the three most recent fiscal years. For purposes of this table, signature loan balances include the principal portion of payday loans and installment loans (net of valuation allowance) recorded on our balance sheet and the principal portion of such active brokered loans outstanding from unaffiliated lenders, which is not included on our balance sheet. In fiscal 2011, new loans were renewed 1.5 times on average, down from 1.8 times in fiscal 2010 and 1.9 times in fiscal 2009.

**Table of Contents**

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In millions)</i>		
<b><i>Combined signature loans:</i></b>			
Loans made	\$ 249.4	\$ 233.8	\$ 217.3
Loans repaid	(216.7)	(200.7)	(184.0)
Loans forfeited, net of collections on bad debt	(34.1)	(30.7)	(32.6)
Net increase in signature loans outstanding at the end of the year	\$ (1.4)	\$ 2.4	\$ 0.7
Loans renewed	\$ 366.5	\$ 425.5	\$ 437.6
<b><i>Loans made by unaffiliated lenders (credit services only):</i></b>			
Loans made	\$ 113.7	\$ 114.0	\$ 114.0
Loans repaid	(94.1)	(92.5)	(90.6)
Loans forfeited, net of collections on bad debt	(21.6)	(21.5)	(23.9)
Net increase in loans outstanding at the end of the year	\$ (2.0)	\$	\$ (0.5)
Loans renewed	\$ 336.9	\$ 364.1	\$ 366.7
<b><i>Loans made by us:</i></b>			
Loans made	\$ 135.7	\$ 119.8	\$ 103.3
Loans repaid	(122.6)	(108.2)	(93.4)
Loans forfeited, net of collections on bad debt	(12.5)	(9.2)	(8.7)
Net increase in loans outstanding at the end of the year	\$ 0.6	\$ 2.4	\$ 1.2
Loans renewed	\$ 29.6	\$ 61.4	\$ 70.9

Signature loans are unsecured, and their profitability is highly dependent on our ability to manage the default rate and collect defaulted loan principal, interest and insufficient fund fees. In determining whether to lend or provide credit services, we perform a review of customer information, such as making a credit reporting agency inquiry, evaluating and verifying income sources and levels, verifying employment and verifying a telephone number where the customers may be contacted.

We began offering auto title loans in September 2008. The table below shows the dollar amount of our auto title loan activity for the three most recent fiscal years. For purposes of this table, auto title loan balances include the principal portion of auto title loans (net of valuation allowance) recorded on our balance sheet and the principal portion of active brokered auto title loans outstanding from unaffiliated lenders, which is not included on our balance sheet.

**Table of Contents**

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In millions)</i>		
<b><i>Combined auto title loans:</i></b>			
Loans made	\$ 27.8	\$ 25.3	\$ 5.6
Loans repaid	(24.5)	(14.7)	(2.5)
Loans forfeited, net of collections on bad debt	(4.0)	(4.5)	(0.4)
Loans acquired in business acquisition			1.1
Net increase in auto title loans outstanding at the end of the year	\$ (0.7)	\$ 6.1	\$ 3.8
Loans renewed	\$ 70.5	\$ 56.8	\$ 14.0
<b><i>Loans made by unaffiliated lenders (credit services only):</i></b>			
Loans made	\$ 16.3	\$ 16.0	\$ 3.3
Loans repaid	(15.7)	(9.3)	(1.0)
Loans forfeited, net of collections on bad debt	(1.4)	(2.1)	(0.2)
Loans acquired in business acquisition			
Net increase in loans outstanding at the end of the year	\$ (0.8)	\$ 4.6	\$ 2.1
Loans renewed	\$ 56.0	\$ 40.7	\$ 4.9
<b><i>Loans made by us:</i></b>			
Loans made	\$ 11.5	\$ 9.3	\$ 2.3
Loans repaid	(8.8)	(5.4)	(1.5)
Loans forfeited, net of collections on bad debt	(2.6)	(2.4)	(0.2)
Loans acquired in business acquisition			1.1
Net increase in loans outstanding at the end of the year	\$ 0.1	\$ 1.5	\$ 1.7
Loans renewed	\$ 14.5	\$ 16.1	\$ 9.1

Auto title loans are secured by the titles to customers' automobiles. Lending decisions and loan amounts are determined based on customers' income levels, an inspection of the automobile and title and reference to market values of used automobiles. Through charges to bad debt expense, we provide a bad debt allowance on the current and delinquent balances of auto title loans and auto title lines of credit, and increase the allowance as the loans age or in response to other potential indicators of loss. Auction proceeds from repossessed automobiles are recorded as an offset to bad debt.

At the time a signature loan or auto title loan is made, a loan agreement and credit services agreement, when applicable, are given to the borrower. It presents the name and address of the lender, the borrower and the credit services company when applicable, the borrower's identification information, the date of the loan, the amount financed, the interest or service charges due on maturity, the maturity date of the loan, the total amount that must be paid and the annual percentage rate. At the time a line of credit is granted, customers receive a similar agreement specifying the terms of the credit line, fees and annual percentage rate and repayment terms.

**Seasonality**

Historically, pawn service charges are highest in our fourth fiscal quarter (July through September) due to a higher average loan balance during the summer lending season. Merchandise sales are highest in the first and second fiscal quarters (October through March) due to the holiday season, jewelry sales surrounding Valentine's Day and the impact of tax refunds in the United States. Jewelry scrapping sales are heavily influenced by the timing of decisions to scrap excess jewelry inventory. Jewelry scrapping sales generally are greatest during our fourth fiscal quarter (July through September). This results from relatively low jewelry merchandise sales in that quarter and the higher loan balance, leading to a higher dollar amount of loan forfeitures in the summer lending season providing more inventory available for sale.

Signature loan and auto title loan fees are generally highest in our third and fourth fiscal quarters (April through September) due to a higher average loan balance during the summer lending season. Signature loan and auto title

## **Table of Contents**

loan bad debt, both in dollar terms and as a percentage of related fees, is highest in the third and fourth fiscal quarters and lowest in the second fiscal quarter due primarily to the impact of tax refunds in the U.S.

The net effect of these factors is that net revenues and net income typically are strongest in the fourth fiscal quarter and weakest in the third fiscal quarter. Our cash flow typically is greatest in the second fiscal quarter due to a high level of loan redemptions and sales in the U.S. income tax refund season.

### **Operations**

A typical company pawn store employs approximately six full-time equivalent employees ( FTEs ), consisting of a store manager, an assistant manager and four pawnbrokers. Each store manager is responsible for ensuring that the store is run in accordance with our policies, procedures and operating guidelines, and reports to an area manager. Area managers are responsible for the performance of all stores within their area and report to one of our regional directors. Managers and regional directors receive incentive compensation based on their performance in comparison to an operating budget. Our U.S. pawnbrokers are also eligible to receive incentive compensation based on the store's performance and their individual productivity performance. The incentive compensation for our pawn employees typically ranges between 5% and 30% of their total compensation.

Financial services stores typically employ two to three FTEs per location, consisting of a store manager and one or two customer service representatives. Each store manager is responsible for ensuring that the store is run in accordance with our policies, procedures and operating guidelines, and reports to an area manager, who is responsible for the stores within a specific operating area and reports to a regional director. Managers and regional directors receive incentive compensation based on their performance in comparison to an operating budget.

In the majority of our financial services stores, store employees attempt to collect defaulted signature loans in the first 30 days after default. After the initial 30 days, our centralized collection center assumes collection responsibility for these stores' loans. The centralized collection center also collects defaulted signature loans for all other locations from the date of default. After attempting to collect for approximately 90 days, we generally sell the remaining defaulted signature loans to a third party or refer them to an outside collection agency for a contingency fee.

We have an internally developed store level point of sale system that automates the recording of pawn, merchandise purchase and sale transactions. We also have a separate loan management computer system specifically designed to handle signature loan and auto title loan transactions. We have redundant backup systems in the event of a system failure or natural disaster. Financial data from all stores is processed at the corporate office each day, and the preceding day's data are available for management review via our internal network. Our communications network provides information access between the stores and the corporate office.

Our internal audit staff monitors the perpetual inventory system, lending practices, regulatory compliance and compliance with our policies and procedures. Each location is typically audited several times annually, adjusted based on estimated risk.

As of September 30, 2011, we employed approximately 5,600 people. We believe that our success is dependent upon our employees' ability to provide prompt and courteous customer service and to execute our operating procedures and standards. We seek to hire people who will become long-term, career employees. To achieve our long-range personnel goals, we offer a structured career development program for all of our field associates. This program encompasses computer-based training, formal structured classroom training and supervised on-the-job training. All store associates, including managers, must meet certain competency criteria prior to hire or promotion and participate in on-going training classes and formal instructional programs. Our career development program develops and advances our employees and provides training for the efficient integration of experienced managers and associates from outside the company.

### **Trademarks and Trade Names**

We operate our U.S. pawn stores principally under the names EZPAWN or Value Pawn and the Mexico pawn stores under the names EMPEÑO FÁCIL and EMPEÑO SU ORO AL INSTANTE. Our U.S. financial services



## **Table of Contents**

stores operate under a variety of names, including EZMONEY Payday Loans, EZ Loan Services, EZ Payday Advance, AAA Payday Loans and EZPAWN Payday Loans and our CSO stores operate under the name EZMONEY Loan Services. Our financial services stores in Canada operate under the names CASHMAX or Cash Converters. We have registered with the United States Patent and Trademark Office the names EZPAWN, EZMONEY and EZCORP, among others. We hold a trademark in Mexico for the name EMPEÑO FÁCIL and are the master franchisee in Canada for the Cash Converters brand.

### **Growth and Expansion**

We plan to expand the number of locations we operate through opening new locations and through acquisitions. We believe that in the near term the largest growth opportunities are with new pawn stores in Mexico and the U.S., Cash Converters stores in Canada, pawn store acquisitions in the United States and online lending, both in the U.S. and internationally. We continually evaluate and test new products and formats, which may result in further expansion opportunities.

In fiscal 2011, we acquired 34 U.S. pawn stores, six Mexico pawn stores and the trademark and licensing rights of Cash Converters in Canada for a total of \$75.2 million. The U.S. pawn stores were located in the Chicago area, Georgia, Florida, Iowa, Wisconsin and Utah, and the Mexico stores were in the states of Hidalgo and Tlaxcala. During fiscal 2011, we also opened 10 pawn stores in the United States, 57 pawn stores in Mexico, 10 financial services and 5 financial and retail services stores in Canada. In fiscal 2012, we plan to open approximately 55 to 65 pawn stores in Mexico, 12 to 15 pawn stores in the United States, and 10 Canadian Cash Converters locations.

All licensing rights and stores were acquired as part of our continuing strategy to acquire pawn stores and other assets to enhance and diversify our earnings. The results of all acquired stores have been consolidated with our results since their acquisition.

The cost of opening new stores varies based on the size, type and location of stores opened. During fiscal 2011, the new U.S. pawn stores opened required an average property and equipment investment of approximately \$326,000. The new Canadian financial services stores required an average property and equipment investment of approximately \$83,000 and the financial and retail services stores required an average property and equipment investment of approximately \$184,000. In fiscal 2011 we opened 43 full line pawn stores and 14 Empeñe Su Oro jewelry-only pawn stores and for a total of 57 new pawn stores in Mexico. The full line pawn stores required an average property and equipment investment of approximately \$130,000 and the jewelry-only stores required an average property and equipment investment of approximately \$50,000.

Our ability to add new stores is dependent on several variables, such as the availability of acceptable sites or acquisition candidates, the regulatory environment, local zoning ordinances, access to capital and the availability of qualified personnel.

### **Competition**

We encounter significant competition in connection with all of our activities. These competitive conditions may adversely affect our revenues, profitability and ability to expand. In our lending businesses, we compete with other pawn stores, payday lenders, credit service organizations, banks, credits unions and other financial institutions, such as consumer finance companies. Other lenders may lend money on an unsecured basis, at interest rates that may be lower than our service charges, and on other terms that may be more favorable than ours or through other market channels, such as online which some customers may prefer. We believe that the primary elements of competition are the quality of customer service and relationship management, convenience, store location, a customer friendly environment and the ability to loan competitive amounts at competitive rates. In addition, we believe the ability to compete effectively will be based increasingly on strong general management, regional focus, automated management information systems, access to capital, superior customer service and the ability to offer certain services online. Our competitors for merchandise sales include numerous retail and wholesale stores, including jewelry stores, discount retail stores, consumer electronics stores, other pawn stores, other resale stores, electronic commerce

**Table of Contents**

retailers and auction sites. Competitive factors in our retail operations include the ability to provide the customer with a variety of merchandise at an exceptional value and convenience.

In offering general purpose, reloadable debit cards, our competitors include other specialty financial service providers, banks and credit unions as well as specialists in offering debit cards. Competitive factors in our debit card operations include offering competitive, comprehensive services at competitive rates.

The pawn industry in the United States is large and highly fragmented. The industry consists of approximately 13,000 pawn stores owned primarily by independent operators who own one to three locations, and we consider the industry relatively mature. We are the second largest operator of pawn stores in the United States, with 433 locations at September 30, 2011. The three largest pawn store operators account for approximately ten percent of the total estimated pawn stores in the United States.

The pawn industry in Mexico is also fragmented, but less so than in the United States. The industry consists of approximately 5,000 pawn stores owned by independent operators and chains, including some not-for-profit organizations. The pawn industry, particularly full-line stores offering general merchandise and jewelry loans and resale, remains in more of an expansion stage in Mexico than in the United States. The market for gold-only pawn stores is still in an expansion phase in Mexico, although is closer to maturity than full-line stores.

The specialty financial services industry in the United States is mature and is larger and more concentrated than the pawn industry. The industry consists of a number of online lenders and approximately 20,000 locations that are either mono-line stores offering only short-term consumer loans, or other businesses offering short-term consumer loans in addition to other products and services, such as check cashing stores, automobile title loan stores, pawn stores and stores offering reloadable debit cards. The ten largest short-term consumer loan companies, including us, operate approximately 45% of the total number of physical locations, and online competition has increased in recent years. Recently, several national and regional banks have begun offering cash advance products with similar characteristics and rate structures to our short-term consumer loans.

The specialty financial services industry in Canada remains in a growth stage. The industry consists of approximately 1,500 locations that are either mono-line stores offering only short-term consumer loans or other businesses offering short-term consumer loans in addition to other products and services, such as check cashing stores, pawn stores and stores offering reloadable debit cards or bank accounts. The Canadian short-term consumer loan industry is highly concentrated, with the three largest companies operating approximately 74% of the total number of locations.

**Strategic Investments**

*Albemarle & Bond* At September 30, 2011, we held almost 30% of the outstanding shares of Albemarle & Bond Holdings PLC. At June 30, 2011, the latest date at which Albemarle & Bond has publicly reported results, Albemarle & Bond operated over 150 locations in the United Kingdom that offer pawn loans, payday loans, installment loans, check cashing and retail jewelry. For Albemarle & Bond's fiscal year ended June 30, 2011, its gross revenues increased 24% to £101.9 million (\$162.0 million), its net income increased 6% over the prior year to approximately £15.3 million (\$24.3 million), and its diluted earnings per share increased 7% to £0.2770 (\$0.4406). Albemarle & Bond is based in Bristol, England, and its stock is publicly traded on the Alternative Investment Market of the London Stock Exchange. We are its largest single shareholder and currently hold three of the nine seats on Albemarle & Bond's board of directors. We account for our investment in Albemarle & Bond under the equity method. In fiscal 2011, our interest in Albemarle & Bond's income was \$7.3 million and we received dividends of \$3.2 million. Based on the closing price and exchange rates on September 30, 2011, the market value of our investment in Albemarle & Bond was approximately \$91.7 million compared to its book value of \$48.4 million.

*Cash Converters International* At September 30, 2011, we owned 124,418,000 shares, or approximately 33% of the total ordinary shares of Cash Converters International Limited, which is a publicly traded company headquartered in Perth, Australia. We acquired the shares between November 2009 and May 2010 for approximately \$57.8 million. As its largest single shareholder and pursuant to a shareholder agreement, we hold two of the five seats on Cash Converters' board of directors. Cash Converters franchises and operates a worldwide

**Table of Contents**

network of approximately 600 specialty financial services and retail stores that provide pawn loans, short-term unsecured loans, and other consumer finance products, and buy and sell second-hand goods. Cash Converters has significant store concentrations in Australia and the United Kingdom. In the short-term, we expect Cash Converters will continue buying back franchised locations and converting them into company operated stores as well as increasing its portfolio of short-term consumer loans in Australia and the U.K. If proposed Australian legislation limiting fees on short-term consumer loans is passed, Cash Converters has indicated it may limit its short-term consumer lending in Australia and redirect capital elsewhere, including a greater focus on the United Kingdom. For its fiscal year ended June 30, 2011, Cash Converters' gross revenue improved 48% to AUS \$186.1 million (U.S. \$184.0 million), net income improved 27% to AUS \$27.6 million (U.S. \$27.3 million), and diluted earnings per share increased 10% to AUS \$0.0723 (U.S. \$0.0710). For the year, Cash Converters paid dividends of AUS \$0.0325 (U.S. \$0.0321) per share. We account for our investment in Cash Converters under the equity method. In fiscal 2011, our interest in Cash Converters' income was \$8.9 million and we received dividends of \$4.1 million. Based on the closing price and exchange rates on September 30, 2011, the market value of our investment in Cash Converters was approximately \$53.6 million compared to its book value of \$71.9 million.

In March 2011, we entered into an agreement with Cash Converters to increase our ownership to approximately 53% and to enter into two joint ventures to develop the Cash Converters business in areas outside of Australia and the United Kingdom. In August 2011 and before the plan had been submitted to Cash Converters' shareholders for approval, we terminated that agreement as a result of the introduction of proposed legislation in Australia that could have an adverse effect on Cash Converters' signature loan business there. We continue to hold our existing 33% investment in Cash Converters, as well as the Cash Converters master franchise rights in Canada. We have already converted 10 of our existing Canadian financial services stores to the Cash Converters brand and have added the Cash Converters buy/sell model, and we expect to convert most of the remaining stores during fiscal 2012. In addition, in October 2011 we acquired substantially all the assets of Cash Converters United LC, including seven stores doing business under the Cash Converters brand in Virginia and Pennsylvania, the exclusive right to develop Cash Converters stores in Virginia, North Florida and Eastern Pennsylvania, and a right of first refusal to acquire the Cash Converters franchise rights in the District of Columbia and 17 other states in the East, South, Midwest and Southwest.

**Regulation**

Our operations are subject to extensive regulation under various federal, state and local laws and regulations, and we believe that we conduct our business in material compliance with all of these rules. The following is a general description of significant regulations affecting our business. For a geographic breakdown of our operating locations, see Item 2 Properties.

***Pawn Regulations***

Our pawn stores are regulated by the states in which they are located and, in some cases, by individual municipalities or other local authorities. The applicable statutes, ordinances and regulations vary from location to location and typically impose licensing requirements for pawn stores or individual pawn store employees. Licensing requirements typically relate to financial responsibility and character, and may establish restrictions on where pawn stores can operate. Additional rules regulate various aspects of the day-to-day pawn operations, including the service charges and interest rates that a pawn store may charge, the maximum amount of a pawn loan, the minimum or maximum term of a pawn loan, the content and format of the pawn ticket and the length of time after a loan default that a pawn store must hold a pawned item before it can be sold. Failure to observe applicable regulations could result in a revocation or suspension of pawn licenses, the imposition of fines or requirements to refund service charges and fees, and other civil or criminal penalties. We must also comply with various federal requirements regarding the disclosure of interest, fees, total payments and annual percentage rate related to each pawn loan transaction. Additional federal regulations applicable to our pawn lending business are described in Other Federal Regulations below.

Most of our pawn stores, voluntarily or pursuant to applicable laws, provide periodic (generally daily) reports to local law enforcement agencies. These reports provide local law enforcement with information about the items received from customers (whether through pawn or purchase), including a detailed description of the goods involved

**Table of Contents**

and the name and address of the customer. If we accept as collateral or purchase merchandise from a customer and it is determined that our customer was not the rightful owner, the merchandise is subject to recovery by the rightful owner. Historically, we have not experienced a material number of claims of this nature.

We do not purchase, sell or make pawn loans on handguns or assault weapons. Some of our pawn stores in the U.S. handle other types of firearms, such as sporting rifles and other long guns, and each of those shops maintains a federal firearms license as required by federal law. The federal Gun Control Act of 1968 and regulations issued by the Bureau of Alcohol, Tobacco, and Firearms also require each pawn store dealing in firearms to maintain a permanent written record of all receipts and dispositions of firearms. In addition, we must comply with the Brady Handgun Violence Prevention Act, which requires us to conduct a background check before releasing, selling or otherwise disposing of firearms.

Mexico regulates various aspects of the pawn industry at the federal, state and local level. Regulations issued by the federal consumer protection agency, Procuraduría Federal del Consumidor (PROFECO), govern the form of pawn loan contracts and consumer disclosures, but the regulations do not impose interest rate or service charge limitations on pawn loans. Pawn stores, like other businesses in Mexico, are also subject to a variety of regulations in such areas as tax compliance, customs, consumer protection and employment.

***Short-Term Consumer Loan Regulations***

Each state in which we offer short-term consumer loan products has specific laws and regulations dealing with the conduct of this business. These laws and regulations vary in scope, but generally require licensing of locations, establish loan terms, provide for consumer protections and disclosures, and permit periodic regulatory examinations. In the case of payday loans, most applicable laws and regulations limit the amount of fees that may be charged, establish maximum loan amounts and duration, and restrict the customer's ability to renew or extend the loan. Some states require reporting of customers' payday loan activities to a state-wide database, and prohibit the making of payday loans to customers who have payday loans outstanding with other lenders. Some municipalities in which we operate also impose various rules and regulations, primarily related to zoning and licensing requirements, but in some cases related to loan terms (such as maximum loan amounts, maximum number of renewals or extensions and mandatory principal paydowns). Failure to observe applicable legal requirements could result in a loss of license, the imposition of fines or customer refunds, and other civil or criminal penalties.

We must also comply with various federal requirements (including the Truth in Lending Act and Regulation Z) regarding the disclosure of interest, fees, total payments and annual percentage rate related to each loan transaction. With respect to our debt collection activities, we comply with the federal Fair Debt Collection Practices Act and similar state laws regulating debt collection practices. Additional federal regulations applicable to our short-term consumer loan business are described in *Other Federal Regulations* below.

In Texas, we do not make loans to customers, but rather offer fee-based credit services, including assistance in arranging loans with independent third-party lenders. As required by state law, we are registered as a Credit Services Organization (CSO) in order to provide such services and, pursuant to new state laws effective January 1, 2012, will be licensed as a Credit Access Business (CAB). The applicable CSO law requires us to provide each customer with an upfront disclosure statement describing, among other things, the services to be provided and the fees to be charged and, upon entering into a transaction, with a written contract fully describing the services provided. The law prohibits us from receiving compensation solely for referring a customer to a lender and also provides for other disclosure requirements, cancellation rights for customers, and prohibitions on fraudulent or deceptive conduct. The new law governing CABs requires us to provide conspicuous notices regarding fees and certain other disclosures and requires us to report certain information regarding customer transactions to the Office of the Consumer Credit Commissioner. Violations of these laws could subject us to criminal and civil liability. The independent lenders are not required to be licensed and are not regulated by any state agency so long as the interest rate charged on the loan does not exceed 10% per annum. The lenders are also permitted to charge late fees and insufficient funds fees. The lenders are subject to the federal regulations described below with regard to their lending activities.

Legislators and regulators frequently scrutinize the legislative and regulatory environment for short-term lending, often proposing additional legislative and regulatory restrictions ranging from additional disclosure requirements to



**Table of Contents**

limits on rates and fees. In some cases, rate and fee limits would effectively prohibit certain short-term lending products, such as payday loans, because it would no longer be economically feasible for most lenders to offer such products.

The Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted in July 2010. This new federal law, among other things, establishes a Bureau of Consumer Financial Protection, which will regulate companies that offer or supply consumer financial products and services, including payday loans, pawn loans and other products and services that we offer. The act contains provisions relating to the establishment of the bureau, the transfer of authority and staff from existing federal regulatory agencies and the provision of funding for the bureau. Those provisions are still in the implementation stage, and until the bureau has become operational and begins to propose rules and regulations that apply to our activities, it is not possible to accurately predict what affect the bureau will have on our business.

There can be no assurance that legislative or regulatory efforts to eliminate or restrict the availability of certain short-term loan products, including payday loans and auto title loans, will not be successful, despite significant customer demand. To the extent such efforts are successful, our short-term consumer loan business could be adversely affected. See Item 1A Risk Factors.

***Other Federal Regulations***

All of our lending activities, both pawn loans and short-term consumer loans, are subject to other state and federal statutes and regulations, including the following:

We are subject to the federal Gramm-Leach-Bliley Act and its underlying regulations, as well as various state laws and regulations relating to privacy and data security. Under these regulations, we are required to disclose to our customers our policies and practices relating to the protection of customers' nonpublic personal information. These regulations also require us to ensure that our systems are designed to protect the confidentiality of customers' nonpublic personal information, and many of these regulations dictate certain actions that we must take to notify customers if their personal information is disclosed in an unauthorized manner. In addition, the Federal Fair and Accurate Credit Transactions Act requires us to adopt written guidance and procedures for detecting, preventing and mitigating identity theft, and to adopt various policies and procedures (including employee training) that address the importance of protecting non-public personal information and aid in detecting and responding to suspicious activity or identify theft red flags.

The federal Equal Credit Opportunity Act prohibits discrimination against any credit applicant on the basis of any protected category such as race, color, religion, national origin, sex, marital status or age. If we deny an application for credit, we are required to provide the applicant with a Notice of Adverse Action, informing the applicant of the action taken regarding the credit application, a statement of the prohibition on discrimination, the name and address of both the creditor and the federal agency that monitors compliance, and the applicant's right to learn the specific reasons for the denial.

Under the USA PATRIOT Act, we must maintain an anti-money laundering compliance program that includes the development of internal policies, procedures, and controls; the designation of a compliance officer; an ongoing employee training program; and an independent audit function to test the program.

We are also subject to the Bank Secrecy Act and its underlying regulations, which requires us to report and maintain records of certain high-dollar transactions. In addition, federal regulations require us to report certain suspicious transactions to the Financial Crimes Enforcement Network of the Treasury Department ( FinCen ). Generally, a transaction is considered to be suspicious if we know, suspect or have reason to suspect that the transaction (a) involves funds derived from illegal activity or is intended to hide or disguise such funds, (b) is designed to evade the requirements of the Bank Secrecy Act or (c) appears to serve no legitimate business or lawful purpose.

Federal law limits the annual percentage rate that may be charged on loans made to active duty military personnel and their immediate families at 36%. This 36% annual percentage rate cap applies to a variety of loan products, including signature loans, though it does not apply to pawn loans. We do not make signature

## Table of Contents

loans to active duty military personnel or their immediate families because it is not economically feasible for us to do so at these rates.

### **Available Information**

We maintain an Internet website at [www.ezcorp.com](http://www.ezcorp.com). All of our reports filed with the Securities and Exchange Commission (the "SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and Section 16 filings are accessible, free of charge, through the Investor Relations section of our website as soon as reasonably practicable after electronic filing. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). Information on our website is not incorporated by reference into this report.

### **Item 1A. Risk Factors**

There are many risks and uncertainties that may affect the operations, performance, development and results of our business. Many of these risks are beyond our control. The following is a description of the important risk factors that may affect our business. If any one or more of these risks actually occur, our business, financial condition or results of operations would likely suffer.

**Changes in laws and regulations affecting our financial services and products could have a material adverse effect on our operations and financial performance.** Our financial products and services are subject to extensive regulation under various federal, state, local and international laws and regulations. There have been, and continue to be, legislative and regulatory efforts to regulate, prohibit or severely restrict some of the types of short-term financial services and products we offer, particularly payday loans and auto title loans.

As noted above under Item 1 Business Regulation, the Dodd-Frank Wall Street Reform and Consumer Protection Act establishes a Bureau of Consumer Financial Protection, which will have the power to, among other things, regulate companies that offer or supply payday loans, pawn loans and other products and services that we offer. Until the bureau has become operational and begins to propose rules and regulations that apply to our activities, it is not possible to accurately predict what affect the bureau will have on our business. There can be no assurance that the bureau will not propose and enact rules or regulations that would have a material adverse effect on our operations and financial performance.

Adverse legislation could also be enacted in any state or municipality in which we operate. If such legislation is enacted in any particular jurisdiction, we generally evaluate our business in the context of the new legislation and determine whether we can continue to operate in that jurisdiction with new or modified products or whether it is feasible to enhance our business with additional product offerings. In any case, if we are unable to continue to operate profitably under the new law, we may decide to close or consolidate stores, resulting in decreased revenues, earnings and assets.

In addition, any financial services business that we undertake directly in international jurisdictions, as well as the financial services businesses conducted by our strategic affiliates, are subject to a variety of regulation by international governmental authorities. Adverse legislation or regulations could be enacted in any of such international jurisdictions, with the result that the financial services business in that jurisdiction becomes less profitable or unprofitable. For example, in August 2011, legislation was proposed in Australia that would, among other things, limit the interest charged on certain consumer loans and prohibit loan extensions and refinancings. If this legislation is enacted in its currently proposed form, Cash Converters International's consumer loan business in Australia may be adversely affected, which could have the effect of decreasing Cash Converters International's revenues and earnings.

Many of the legislative and regulatory efforts that are adverse to the short-term consumer loan industry are





**Table of Contents**

the result of the negative characterization of the industry by some consumer advocacy groups and some media reports that do not focus on the credit risk and high transaction costs of serving our segment. We can give no assurance that there will not be further negative characterizations of our industry or that legislative or regulatory efforts to eliminate or restrict the availability of certain short-term loan products, including payday loans and auto title loans, will not be successful despite significant customer demand for such products. Such efforts, if successful, could have a material adverse effect on our operations or financial performance.

**A significant or sudden decrease in gold values may have a material impact on our earnings and financial position.** Gold jewelry comprises a significant portion of the collateral security for our pawn loans and our inventory, and gold scrapping accounts for a significant portion of our revenues and gross profit. Pawn service charges, sales proceeds and our ability to liquidate excess jewelry inventory at an acceptable margin are dependent upon gold values. The impact on our financial position and results of operations of a hypothetical decrease in gold values cannot be reasonably estimated because the market and competitive response to changes in gold values is not known; however, a significant decline in gold values could result in decreases in sales, sales margins, and pawn service charge revenues.

**A significant portion of our business is concentrated in Texas.** Over half of our financial services stores and almost half of our domestic pawn stores are located in Texas, and those stores account for a significant portion of our revenues and profitability. The legislative, regulatory and general business environment in Texas has been, and continues to be, relatively favorable for our business activities. We have been successful in growing and expanding our businesses in areas outside Texas for the past several years, and we expect that our business in other areas (including Mexico and Canada) will continue to grow faster than our business in Texas. In the foreseeable future, however, a negative legislative or regulatory change in Texas could have a material adverse effect on our overall operations and financial performance.

**A significant change in foreign currency exchange rates could have a material adverse impact on our earnings and financial position.** We have foreign operations in Mexico and Canada and equity investments in the United Kingdom and Australia. Our assets, investments in, earnings from and dividends from each of these must be translated to U.S. dollars from their respective functional currencies of the Mexican peso, Canadian dollar, British pound and the Australian dollar. A significant weakening of any of these foreign currencies could result in lower assets and earnings in U.S. dollars, resulting in a material adverse impact on our financial position, results of operations and cash flows.

**Prolonged periods of economic recession and unemployment could adversely affect our lending and retail businesses.** All of our businesses, like other businesses, are subject to fluctuations based on varying economic conditions. Economic conditions and general consumer confidence affect the demand for our retail products and the ability and willingness of our customers to utilize our loan products and services. Our signature loan products and services require the customer to have a verifiable recurring source of income. Consequently, we may experience reduced demand for our signature loan products during prolonged periods of high unemployment. Weakened economic conditions may also result in an increase in loan defaults and loan losses. Even in the current economic environment, we have been able to efficiently manage our bad debt through our underwriting and collection efforts. There can be no assurance that we will be able to sustain our current bad debt rates or that we will not experience increasing difficulty in collecting defaulted loans.

**A significant portion of our short-term consumer loan revenues and profitability is dependent upon the ability and willingness of unaffiliated lenders to make loans to our customers.** In Texas, where over half of our financial services stores are located, we do not make short-term consumer loans to customers, but assist customers in arranging loans with unaffiliated lenders. Our short-term consumer loan business could be adversely affected if (a) we were to lose our current relationships with unaffiliated lenders and were unable to

establish a relationship with another unaffiliated lender who was willing and able to make short-term loans to our Texas customers or (b) the unaffiliated lenders are unable to obtain capital or other sources of funding at appropriate rates.

**Table of Contents**

**Achievement of our growth objectives is dependent upon our ability to open and acquire new stores.** Our expansion strategy includes opening new stores and acquiring existing stores. The success of this strategy is subject to numerous factors that cannot be predicted or controlled, such as the availability of acceptable locations, the ability to obtain required government permits and licenses, the availability of attractive acquisition candidates and our ability to attract, train and retain qualified associates. Failure to achieve our expansion goals would adversely affect our prospects and future results of operations.

**Changes in the business, regulatory or political climate in Mexico or Canada could adversely affect our operations in those countries, which could adversely affect our growth plans.** Our growth plans include significant expansion in Mexico and Canada. Changes in the business, regulatory or political climate in either of those countries, or significant fluctuations in currency exchange rates could affect our ability to expand or continue our operations there, which could have a material adverse impact on our prospects, results of operations and cash flows.

**Drug related violence could adversely affect our operations and growth plans in Mexico.** To date, the drug related violence in Mexico has been most prevalent along the United States border and other areas where we do not have a significant presence, and has had little effect on our operations. If the violence were to spread to other areas of Mexico, where we have a greater presence, it could affect our ability to expand or continue our operations there, which could have a material adverse impact on our prospects, results of operations, cash flows and assets.

**Fluctuations in our sales, pawn loan balances, sales margins, pawn redemption rates and loan default and collection rates could have a material adverse impact on our operating results.** We regularly experience fluctuations in a variety of operating metrics. Changes in any of these metrics, as might be caused by changes in the economic environment, competitive pressures, changes in customers' tastes and preferences or a significant decrease in gold prices could materially and adversely affect our profitability and ability to achieve our planned results of operations.

**Changes in our liquidity and capital requirements or in banks' abilities or willingness to lend to us could limit our ability to achieve our plans.** We require continued access to capital. A significant reduction in cash flows from operations or the availability of credit could materially and adversely affect our ability to achieve our planned growth and operating results. We currently have a credit agreement with a syndicate of banks. If one of those lenders is unable to provide funding in accordance with its commitment, our available credit could be reduced by the amount of that lender's commitment.

**Changes in competition from various sources could have a material adverse impact on our ability to achieve our plans.** We encounter significant competition from other pawn stores, cash advance companies, credit service organizations, online lenders, consumer finance companies and other forms of financial institutions and other retailers, many of which have significantly greater financial resources than we do. Significant increases in the number or size of competitors or other changes in competitive influences could adversely affect our operations through a decrease in the number or quality of loan products and services we are able to provide or our ability to liquidate forfeited collateral at acceptable margins.

**Infrastructure failures and breaches in data security could harm our business.** We depend on our information technology infrastructure to achieve our business objectives. If a problem, such as a computer virus, intentional disruption by a third party, natural disaster, telecommunications system failure or lost connectivity impairs our infrastructure, we may be unable to process transactions or otherwise carry on our business. An infrastructure disruption could damage our reputation and cause us to lose customers and revenue, result in the unintentional disclosure of company or customer information, and require us to incur significant

expense to eliminate these problems and address related data security concerns.

**We are beginning to implement an online short-term consumer lending business, which will be subject to additional risks.** We recently announced the formation of an eCommerce and Card Services division, which among things, will be responsible for developing an online short-term consumer lending

**Table of Contents**

business. In addition to being subject to the various federal, state and local regulations that are applicable to short-term consumer lending generally, this business will also be subject to other regulations and risks. For example, we will be dependent on third parties, referred to as lead providers, to provide us with prospective new customers. Generally, lead providers operate separate websites to attract prospective customers and then sell those leads to online lenders. As a result, the success of our online consumer lending business will depend substantially on the willingness and ability of lead providers to send us customer leads at prices acceptable to us. The loss or a reduction in leads from lead providers, or the failure of our lead providers to maintain quality and consistency in their programs or services, could reduce our customer prospects and could have a material adverse effect on the success of this line of business. Furthermore, the lead providers' failure to comply with applicable laws or regulations, or any changes in laws or regulations applicable to lead providers, could have an adverse effect on our online consumer lending business.

**One person beneficially owns all of our voting stock and controls the outcome of all matters requiring a vote of stockholders, which may influence the value of our publicly traded non-voting stock.** Phillip E. Cohen is the beneficial owner of all of our Class B Voting Common Stock and controls the outcome of all issues requiring a vote of stockholders. All of our publicly traded stock is non-voting stock. Consequently, stockholders other than Mr. Cohen have no vote with respect to the election of directors or any other matter requiring a vote of stockholders. This lack of voting rights may adversely affect the market value of the publicly traded Class A Non-voting Common Stock.

**We may be subject to litigation proceedings that could harm our business.** Currently and from time to time, we are defendants in various legal and regulatory actions. While we cannot determine the ultimate outcome of these actions, we believe their resolution will not have a material adverse effect on our financial condition, results of operations or liquidity. However, litigation is subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or an injunction prohibiting us from conducting our business as we currently do. If we were to receive an unfavorable ruling in a matter, our business and results of operations could be materially harmed.

**We invest in companies for strategic reasons and may not realize a return on our investments.** We currently have significant investments in Albemarle & Bond Holdings PLC and Cash Converters International Limited, both of which are publicly traded companies based outside the United States. We have made these investments, and may in the future make additional investments in these or other companies, to further our strategic objectives. The success of these strategic investments is dependent on a variety of factors, including the business performance of the companies in which we invest and the market's assessment of that performance. If the business performance of any of these companies suffers, then the value of our investment may decline. If we determine that an other-than-temporary decline in the fair value exists for one of our equity investments, we will be required to write down that investment to its fair value and recognize the related write-down as an investment loss. Furthermore, there can be no assurance that we will be able to dispose of some or all of an investment on favorable terms, should we decide to do so in the future. Any realized investment loss would adversely affect our results of operations.

**We may incur property, casualty or other losses not covered by insurance.** We maintain a program of insurance coverage for various types of property, casualty and other risks. The types and amounts of insurance that we obtain vary from time to time, depending on availability, cost and our decisions with respect to risk retention. The policies are subject to deductibles and exclusions that result in our retention of a level of risk on a self-insurance basis. Losses not covered by insurance could be substantial and may increase our expenses, which could harm our results of operations and financial condition.

**Our acquisitions, investments and other transactions could disrupt our ongoing business and harm our results of operations.** In pursuing our business strategy, we routinely conduct discussions, evaluate opportunities and enter into agreements regarding possible acquisitions, investments and other transactions. These transactions may involve significant challenges and risks, including risks that we may not realize the expected return on an acquisition or investment, that we may not be able to retain key personnel of an acquired business, or that we may experience difficulty in integrating acquired businesses into our business systems and processes. If we do enter into agreements with respect to acquisitions, investments or other

**Table of Contents**

transactions, we may fail to complete them due to inability to obtain required regulatory or other approvals or other factors. Furthermore, acquisitions, investments and other transactions require substantial management resources and have the potential to divert our attention from our existing business. These factors could harm our business and results of operations.

**We face other risks discussed under Quantitative and Qualitative Disclosures about Market Risk in Item 7A of this Form 10-K.**

**Item 1B. Unresolved Staff Comments**

None.

**Table of Contents****Item 2. Properties**

Our typical pawn store is a freestanding building or part of a retail strip center with contiguous parking. Store interiors are designed to resemble small retail operations and attractively display merchandise by category. Distinctive exterior design and attractive in-store signage provide an appealing atmosphere to customers. The typical pawn store has approximately 1,800 square feet of retail space and approximately 3,200 square feet dedicated to collateral storage. Approximately 30% of our pawn stores in Mexico are gold jewelry-only pawn stores with no retail activities, which typically occupy 500 to 1,000 square feet. Financial services stores are designed to resemble a bank interior. The typical financial services store is approximately 1,000 to 1,500 square feet and is located in a retail strip center. Some of our financial services stores adjoin a pawn location and occupy approximately 300 to 500 square feet, with a different entrance, signage, décor, and staffing. From the customers' perspective, these are viewed as a separate business, but they are covered by the same lease agreement. We maintain property and general liability insurance for each of our stores. Our stores are open six or seven days a week.

We lease substantially all of our locations, and generally lease facilities for a term of three to ten years with one or more renewal options. Our existing leases expire on dates ranging between December 31, 2011 and July 31, 2026, with a small number of leases on month-to-month terms. All leases provide for specified periodic rental payments at market rates. Most leases require us to maintain the property and pay the cost of insurance and taxes. We believe the termination of any one of our leases would not have a material adverse effect on our operations. Our strategy generally is to lease rather than own space for our stores unless we find what we believe is a superior location at an attractive price.

Below is a summary of changes in the number of store locations during fiscal 2011, 2010 and 2009

	Fiscal Years Ended September 30,		
	2011	2010	2009
Store count at beginning of fiscal year	1,006	910	809
New stores opened	82	111	42
Acquired stores	40	16	78
Stores closed or consolidated	(17)	(31)	(19)
Store count at end of fiscal year	1,111	1,006	910

In 2011, we opened 57 Empeño Fácil pawn stores in Mexico, 10 CASHMAX financial services stores and five Cash Converters financial and retail services stores in Canada and 10 U.S. pawn stores. We also acquired 34 pawn stores in the U.S. and six pawn stores in Mexico during fiscal 2011.

On an ongoing basis, we may close or consolidate under-performing store locations. In fiscal 2011, we closed five U.S. financial services stores and two financial services stores in Canada, consolidated nine U.S. financial services stores into other existing U.S. financial services stores and consolidated one U.S. pawn store into an existing pawn store. In fiscal 2010, we closed 10 financial services stores and consolidated 19 financial services stores into other existing financial services stores and consolidated two U.S. pawn stores into existing pawn stores.

Of our 436 U.S. financial services stores, 158 adjoin a pawn store, but they are covered by the same lease agreement. The lease agreements at approximately 94% of the remaining 278 free-standing U.S. financial services stores contain provisions that limit our exposure for additional rent at these stores to only a few months if laws were enacted that had a significant negative effect on our operations at these stores. If such laws were passed, the space currently utilized by stores adjoining pawn stores could be re-incorporated into the pawn operations. Following the passage of such laws in fiscal 2010, we closed or consolidated 11 signature loan stores in Colorado and Wisconsin, resulting in a total rent exposure of approximately \$0.2 million.



**Table of Contents**

The following table presents the number of pawn and financial services store locations by state or province as of September 30, 2011:

	Pawn Locations	Financial Services Locations	Total Locations
United States:			
Texas	186	286	472
Florida	93		93
Colorado	38	28	66
Wisconsin	3	35	38
Oklahoma	21	6	27
Idaho		20	20
Utah	7	14	21
Alabama	7	9	16
Nevada	16		16
Indiana	15		15
Iowa	11		11
Kansas		13	13
Missouri		13	13
South Dakota		7	7
Tennessee	7		7
Nebraska		5	5
Illinois	15		15
Georgia	7		7
Louisiana	3		3
Mississippi	3		3
Arkansas	1		1
Total United States Locations	433	436	869
Mexico:			
Guanajuato	24		24
Veracruz	25		25
Jalisco	16		16
Puebla	18		18
Mexico	30		30
Tamaulipas	12		12
Michoacán	10		10
Querétaro	6		6
Oaxaca	8		8
Aguascalientes	5		5
Tabasco	10		10
San Luis Potosí	4		4
Hidalgo	4		4
Tlaxcala	3		3
Chiapas	2		2
Campeche	1		1

Total Mexico Locations	178		178
Canada:			
Ontario		64	64
Total Canada Locations		64	64
Total Company	611	500	1,111

In addition to our store locations, we lease our corporate office space in Austin, Texas (68,900 square feet), Dallas Texas (2,900 square feet), Querétaro, Mexico (6,700 square feet), and Ontario, Canada (4,200 square feet).

**Table of Contents**

The following table presents store data by segment as of September 30, 2011:

	Company-owned Stores			Consolidated	Franchises
	U.S. Pawn Operations	Empeño Fácil	EZMONEY Operations		
Pawn stores	433	178		611	
Financial services stores adjoining U.S. pawn stores	6		152	158	
Financial services stores free standing			342	342	13
Total stores in operation	439	178	494	1,111	13

**Item 3. Legal Proceedings**

Currently and from time to time, we are defendants in various legal and regulatory actions. While we cannot determine the ultimate outcome of these actions, we believe their resolution will not have a material adverse effect on our financial condition, results of operations or liquidity. However, we cannot give any assurance as to their ultimate outcome.

**Item 4. Removed and Reserved**

**Table of Contents****PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market Information**

Our Class A Non-voting Common Stock ( Class A Common Stock ) is traded on The NASDAQ Stock Market (NASDAQ Global Select Market) under the symbol EZPW. As of October 31, 2011, there were 100 stockholders of record of our Class A Common Stock. There is no trading market for our Class B Voting Common Stock ( Class B Common Stock ), which was held by one stockholder as of October 31, 2011.

The high and low per share sales price for our Class A Common Stock for the past two fiscal years, as reported by The NASDAQ Stock Market, were as follows:

	High	Low
Fiscal 2011:		
Fourth quarter ended September 30, 2011	\$ 38.66	\$ 27.10
Third quarter ended June 30, 2011	35.98	27.78
Second quarter ended March 31, 2011	31.80	25.56
First quarter ended December 31, 2010	28.75	19.23
Fiscal 2010:		
Fourth quarter ended September 30, 2010	\$ 20.80	\$ 17.88
Third quarter ended June 30, 2010	23.75	10.07
Second quarter ended March 31, 2010	22.19	16.43
First quarter ended December 31, 2009	17.72	12.75

On September 30, 2011, the closing sales price of our Class A Common Stock, as reported by the NASDAQ Stock Market, was \$28.54 per share.

We have not declared or paid any dividends during the past two fiscal years, and currently do not anticipate paying any cash dividends in the immediate future. Under the terms of our credit agreement, which expires December 31, 2015, payment of dividends is restricted. Should we pay dividends in the future, our certificate of incorporation provides that cash dividends on common stock, when declared, must be declared and paid at the same per share amounts on both classes of stock. Any future determination to pay cash dividends will be at the discretion of our Board of Directors.

**Table of Contents**

***Stock Performance Graph***

The following table compares cumulative total stockholder returns for our Class A Common Stock for the last five fiscal years, with the cumulative total return on the NASDAQ Composite Index (ticker symbol IXIC) and the NASDAQ Other Financial Index (ticker symbol IXFN) over the same period. The graph shows the value, at the end of each of the last five fiscal years, of \$100 invested in our Class A Common Stock or the indices on September 30, 2006. The graph depicts the change in the value of our Class A Common Stock relative to the indices at the end of each fiscal year and not for any interim period. Historical stock price performance is not necessarily indicative of future stock price performance.

**Table of Contents****Item 6. Selected Financial Data**

The following selected financial information should be read in conjunction with, and is qualified in its entirety by the accompanying consolidated financial statements and related notes:

**Selected Financial Data**

	2011	Fiscal Years Ended September 30,			2007
		2010	2009	2008	
		<i>(In thousands, except per share and store figures)</i>			
<b>Operating Data:</b>					
Sales	\$ 494,562	\$ 411,865	\$ 329,923	\$ 234,679	\$ 194,305
Pawn service charges	201,135	163,695	130,169	94,244	73,551
Signature loan fees	150,250	139,315	133,344	128,478	104,347
Auto title loan fees	21,701	17,707	3,589		
Other	1,669	463	431	2	12
Total revenues	869,317	733,045	597,456	457,403	372,215
Cost of goods sold	295,620	251,122	203,589	139,402	118,007
Signature loan bad debt	36,328	31,709	33,553	37,150	28,508
Auto title loan bad debt	2,431	2,735	380		
Net revenues	534,938	447,479	359,934	280,851	225,700
Store operating expenses	267,052	236,664	206,237	158,927	133,180
Administrative expenses	75,270	52,740	40,497	34,951	27,171
Depreciation and amortization	18,344	14,661	12,746	12,354	9,812
(Gain) loss on disposal of assets	309	1,528	(1,024)	939	(72)
Interest expense (income), net	1,653	1,199	1,144	(57)	(1,373)
Equity in net income of unconsolidated affiliates	(16,237)	(10,750)	(5,016)	(4,342)	(2,945)
Other	(164)	(93)	38	8	
Income before income taxes	188,711	151,530	105,312	78,071	59,927
Income tax expense	66,552	54,236	36,840	25,642	22,053
Net income	\$ 122,159	\$ 97,294	\$ 68,472	\$ 52,429	\$ 37,874
Earnings per common share, diluted	\$ 2.43	\$ 1.96	\$ 1.42	\$ 1.21	\$ 0.88
Cash dividends per common share	\$	\$	\$	\$	\$
Weighted average common shares and share equivalents, diluted	50,369	49,576	48,076	43,327	43,230
Stores operated at end of period	1,111	1,006	910	809	731
	2011	2010	September 30, 2009	2008	2007
			<i>(In thousands)</i>		

**Balance Sheet Data:**

Pawn loans	\$ 145,318	\$ 121,201	\$ 101,684	\$ 75,936	\$ 60,742
Signature loans	11,389	10,775	8,357	7,124	4,814
Auto title loans	3,222	3,145	1,663	1	
Inventory	90,373	71,502	64,001	43,209	37,942
Working capital	291,968	232,713	228,796	159,918	124,871
Total assets	756,450	606,412	492,517	308,720	251,186
Long-term debt	17,500	25,000	35,000		
Stockholders equity	664,248	519,428	415,685	273,050	215,925

26

**Table of Contents****Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The discussion in this section contains forward-looking statements that are based on our current expectations. Actual results could differ materially from those expressed or implied by the forward-looking statements due to a number of risks, uncertainties and other factors, including those identified in Part I, Item 1A Risk Factors of this report.

The following table presents summary consolidated financial data for our fiscal years ended September 30, 2011 ( current year or fiscal 2011 ), September 30, 2010 ( prior year or fiscal 2010 ) and September 30, 2009 ( fiscal 2009

**Summary Financial Data**

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands)</i>		
<b>Revenues:</b>			
Sales	\$ 494,562	\$ 411,865	\$ 329,923
Pawn service charges	201,135	163,695	130,169
Signature loan fees	150,250	139,315	133,344
Auto title loan fees	21,701	17,707	3,589
Other	1,669	463	431
Total revenues	869,317	733,045	597,456
Cost of goods sold	295,620	251,122	203,589
Signature loan bad debt	36,328	31,709	33,553
Auto title loan bad debt	2,431	2,735	380
Net revenues	\$ 534,938	\$ 447,479	\$ 359,934
<b>Net Income</b>	<b>\$ 122,159</b>	<b>\$ 97,294</b>	<b>\$ 68,472</b>

In fiscal 2011, we reclassified fees from our Product Protection Plan and Jewelry VIP Program as well as layaway fees from Other revenue to Sales, as fees from these products are incidental to sales of merchandise. Prior year figures have been reclassified to conform to this presentation and margins have been recalculated accordingly throughout management's discussion and analysis.

**Overview**

We are a leading provider of specialty consumer financial services. We provide collateralized, non-recourse loans, commonly known as pawn loans, and a variety of short-term consumer loans including payday loans, installment loans and auto title loans, and in Texas only, fee-based credit services to customers seeking loans.

At September 30, 2011, we operated a total of 1,111 locations, consisting of 433 U.S. pawn stores (operating as EZPAWN or Value Pawn), 178 pawn stores in Mexico (operating as Empeño Fácil or Empeñe Su Oro), 436 U.S. financial services stores (operating primarily as EZMONEY), 49 financial services stores in Canada (operating as CASHMAX) and 15 financial and retail services stores (operating as Cash Converters). In addition, we are the franchisor for 13 franchised Cash Converters stores in Canada. We also own almost 30% of Albemarle & Bond Holdings PLC, one of the U.K.'s largest pawnbroking businesses with over 150 stores, and almost 33% of Cash Converters International Limited, which franchises and operates a worldwide network of over 600 locations that buy and sell second-hand merchandise and offer financial services.



**Table of Contents**

Our business consists of three reportable segments: The U.S. Pawn Operations, which operates only in the United States; Empeño Fácil, which operates only in Mexico; and EZMONEY Operations which operates 430 stores in the United States and 64 stores in Canada. The following tables present stores by segment:

	Fiscal Year Ended September 30, 2011				
	Company-owned Stores				
	U.S. Pawn Operations	Empeño Fácil	EZMONEY Operations	Consolidated	Franchises
Stores in operation:					
Beginning of period	396	115	495	1,006	
New openings	10	57	15	82	1
Acquired	34	6		40	13
Sold, combined, or closed	(1)		(16)	(17)	(1)
End of period	439	178	494	1,111	13
Average number of stores during the period	415	145	497	1,058	6

	Fiscal Year Ended September 30, 2010				
	Company-owned Stores				
	U.S. Pawn Operations	Empeño Fácil	EZMONEY Operations	Consolidated	Franchises
Stores in operation:					
Beginning of period	375	62	473	910	
New openings	7	53	51	111	
Acquired	16			16	
Sold, combined, or closed	(2)		(29)	(31)	
End of period	396	115	495	1,006	
Average number of stores during the period	381	84	481	946	

	Fiscal Year Ended September 30, 2009				
	Company-owned Stores				
	U.S. Pawn Operations	Empeño Fácil	EZMONEY Operations	Consolidated	Franchises
Stores in operation:					
Beginning of period	300	38	471	809	
New openings		23	19	42	
Acquired	77	1		78	
Sold, combined, or closed	(2)		(17)	(19)	

End of period	375	62	473	910
Average number of stores during the period	360	45	473	878

Pawn and Retail Activities

We earn pawn service charge revenues on our pawn lending. While allowable service charges vary by state and loan size, a majority of our U.S. pawn loans earn 20% per month. Our average U.S. pawn loan amount typically ranges between \$125 and \$135 but varies depending on the valuation of each item pawned. The total U.S. loan term ranges between 60 and 120 days, consisting of the primary term and grace period. In Mexico, pawn service charges range from 15% to 21% per month, including applicable taxes, with the majority of loans earning 21%. The total Mexico pawn loan term is 40 days, consisting of the primary term and grace period. Individual loans are made in Mexican pesos depending on the valuation of each item pawned, but typically equate to between \$65 and \$70 U.S. dollars. In our pawn stores and certain financial services stores, we acquire inventory for retail sales through pawn loan forfeitures and through purchases of customers' merchandise and purchases of new or refurbished merchandise from third party vendors. The gross profit on sales of inventory depends primarily on our assessment of the loan or purchase value at the time the property is either accepted as loan collateral or purchased. Margins achieved upon

**Table of Contents**

sale of inventory are a function of the assessment of value at the time the pawn loan was originated or, in the case of purchased merchandise, the purchase price.

We record an inventory valuation allowance for obsolete or slow-moving inventory based on the type and age of merchandise. We generally establish a higher allowance percentage on general merchandise, as it is more susceptible to obsolescence, and establish a lower allowance percentage on jewelry, as it generally has greater inherent commodity value. At September 30, 2011 our total allowance was 9.5% of gross inventory compared to 7.4% at September 30, 2010. Changes in the valuation allowance are charged to merchandise cost of goods sold.

**Signature Loan and Auto Title Loan Activities**

At September 30, 2011, 286 of our U.S. financial services stores and 25 of our U.S. pawn stores in Texas offered credit services to customers seeking short-term consumer loans from unaffiliated lenders. We do not participate in any of the loans made by the lenders, but earn a fee for helping customers obtain credit and for enhancing customers creditworthiness by providing letters of credit to the unaffiliated lenders. Customers may obtain two types of signature loans from the unaffiliated lenders. In all stores offering signature loan credit services, customers can obtain payday loans, with principal amounts up to \$1,500 but averaging about \$520. Terms of these loans are generally less than 30 days, averaging about 16 days, with due dates corresponding with the customers' next payday. We typically earn a fee of 22% of the loan amount for our credit services offered in connection with payday loans. In 286 of the U.S. financial services stores offering credit services, customers can obtain longer-term unsecured installment loans from the unaffiliated lenders. The installment loans offered in connection with our credit services typically carry terms of about five months with ten equal installment payments, including principal amortization, due on customers' paydays. Installment loan principal amounts range from \$1,525 to \$3,000, but average about \$2,015. With each semi-monthly or bi-weekly installment payment, we earn a fee of 10% of the initial loan amount. At September 30, 2011, payday loans comprised 94% of the balance of signature loans brokered through our credit services, and installment loans comprised the remaining 6%.

Outside of Texas, we earn signature loan fee revenue on our payday loans. In 15 U.S. pawn stores, 74 U.S. financial services stores and 64 Canadian financial services stores we make payday loans subject to state or provincial law. The average payday loan amount is approximately \$435 and the term is generally less than 30 days, averaging about 16 days. We typically charge a fee of 15% to 22% of the loan amount. In 117 of our U.S. financial services stores and three U.S. pawn stores, we make installment loans subject to state law. These installment loans carry a term of four to seven months, with a series of equal installment payments including principal amortization, due monthly, semi-monthly or on the customers' paydays. Total interest and fees on these loans vary in accordance with state law and loan terms, but over the entire loan term, total approximately 45% to 130% of the original principal amount of the loan. We began offering installment loans rather than payday loans in Colorado in August 2010, in Wisconsin in January 2011 and in Missouri in June 2011. Installment loan principal amounts range from \$100 to \$3,000, but average approximately \$530.

At September 30, 2011, 397 of our U.S. financial services stores and 44 of our U.S. pawn stores offered auto title loans or, in Texas, credit services to assist customers in obtaining auto title loans from unaffiliated lenders. Auto title loans are 30-day loans secured by the titles to customers' automobiles. Loan principal amounts range from \$100 to \$10,000, but average about \$810. We earn a fee of 12.5% to 25% of auto title loan amounts.

**Acquisitions**

In the fiscal year ended September 30, 2010, we acquired 16 pawn stores located in the Chicago metropolitan area, Central and South Florida, Corpus Christi, Texas and Las Vegas, Nevada for approximately \$21.8 million in cash. In the year ended September 30, 2011, we acquired 40 pawn stores located in the Chicago metropolitan area, Georgia, Central and South Florida, Iowa, Wisconsin, Utah and the Mexican states of Hidalgo and Tlaxcala for approximately \$66.2 million in cash and the issuance of approximately 0.2 million shares of EZCORP stock valued at \$7.3 million. All stores were acquired as part of our continuing strategy to acquire pawn stores to enhance and diversify our earnings. The results of all acquired stores have been consolidated with our results since their acquisition. In April 2011 we also acquired the trademark and licensing rights of Cash Converters in Canada, including rights to receive fees from 13 stores operated by franchisees in Canada.



**Table of Contents****Other**

Included in the current year-to-date period results is a pre-tax administrative expense charge of \$10.9 million related to the October 2010 retirement of our former Chief Executive Officer, including \$3.4 million attributable to a cash payment and \$7.5 million attributable to the vesting of restricted stock. The current year-to-date period income tax expense reflects a \$3.8 million tax benefit related to this charge.

***Critical Accounting Policies and Estimates***

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, inventory, loan loss allowances, long-lived and intangible assets, income taxes, contingencies and litigation. We base our estimates on historical experience, observable trends and various other assumptions that we believe to be reasonable under the circumstances. We use this information to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates under different assumptions or conditions.

We believe the following critical accounting policies and estimates could have a significant impact on our results of operations. You should refer to Note A of our consolidated financial statements for a more complete review of other accounting policies and estimates used in the preparation of our consolidated financial statements.

***Pawn Loan and Sales Revenue Recognition:*** We record pawn service charges using the interest method for all pawn loans we believe to be collectible. We base our estimate of collectible loans on several factors, including recent redemption rates, historical trends in redemption rates and the amount of loans due in the following two months. Unexpected variations in any of these factors could change our estimate of collectible loans, affecting our earnings and financial condition. If a pawn loan is not repaid, we value the forfeited collateral (inventory) at the lower of cost (pawn loan principal) or market value of the property. We record sales revenue and the related cost when this inventory is sold, or when we receive the final payment on a layaway sale. Sales tax collected upon the sale of inventory is excluded from the amount recognized as sales and instead recorded as a liability in Accounts payable and other accrued expenses on our balance sheets until remitted to the appropriate governmental authorities.

***Signature Loan Credit Service Fee Revenue Recognition:*** We earn credit service fees when we assist customers in obtaining signature loans from unaffiliated lenders. We initially defer recognition of the fees we expect to collect, net of direct expenses, and recognize that deferred net amount over the life of the related loans. We reserve the percentage of credit service fees we expect not to collect. Accrued fees related to defaulted loans reduce credit service fee revenue upon loan default, and increase credit service fee revenue upon collection. Signature loan credit service fee revenue is included in Signature loan fees on our statements of operations.

***Signature Loan Credit Service Bad Debt:*** We issue letters of credit to enhance the creditworthiness of our customers seeking signature loans from unaffiliated lenders. The letters of credit assure the lenders that if borrowers default on the loans, we will pay the lenders, upon demand, the principal, accrued interest and late fees owed to the lenders by the borrowers plus any insufficient funds fees. Although amounts paid under letters of credit may be collected later, we charge those amounts to signature loan bad debt upon default. We record recoveries under the letters of credit as a reduction of bad debt at the time of collection. After attempting collection of bad debts internally, we occasionally sell them to an unaffiliated company as another method of recovery, and record the proceeds from such sales as a reduction of bad debt at the time of the sale.

The majority of our credit service customers obtain short-term signature loans with a single maturity date. These short-term loans, with maturity dates averaging about 16 days, are considered defaulted if they have not been repaid or renewed by the maturity date. Other credit service customers obtain installment loans with a series of payments due over as much as a seven-month period. If one payment of an installment loan is delinquent, that one payment is

**Table of Contents**

considered defaulted. If more than one installment payment is delinquent at any time, the entire loan is considered defaulted.

***Allowance for Losses on Signature Loan Credit Services:*** We provide an allowance for losses we expect to incur under letters of credit for brokered signature loans that have not yet matured. The allowance is based on recent loan default experience adjusted for seasonal variations. It includes all amounts we expect to pay to the unaffiliated lenders upon loan default, including loan principal, accrued interest and insufficient funds fees, net of the amounts we expect to collect from borrowers (collectively, Expected LOC Losses ). Changes in the allowance are charged to signature loan bad debt. We include the balance of Expected LOC Losses in Accounts payable and other accrued expenses on our balance sheets. Based on the expected loss and collection percentages, we also provide an allowance for the signature loan credit service fees we expect not to collect, and charge changes in this allowance to signature loan fee revenue.

***Signature Loan Revenue Recognition:*** We accrue fees in accordance with state and provincial laws on the percentage of signature loans (payday loans and installment loans) we have made that we believe to be collectible. Accrued fees related to defaulted loans reduce fee revenue upon loan default, and increase fee revenue upon collection.

***Signature Loan Bad Debt:*** We consider a payday loan defaulted if it has not been repaid or renewed by the maturity date. If one payment of an installment loan is delinquent, that one payment is considered defaulted. If more than one installment payment is delinquent at any time, the entire installment loan is considered defaulted. Although defaulted loans may be collected later, we charge the loan principal to signature loan bad debt upon default, leaving only active loans in the reported balance. We record collections of principal as a reduction of signature loan bad debt when collected. After attempting collection of bad debts internally, we occasionally sell them to an unaffiliated company as another method of recovery and record the proceeds from such sales as a reduction of bad debt at the time of sale.

***Signature Loan Allowance for Losses:*** We provide an allowance for losses on signature loans that have not yet matured and related fees receivable, based on recent loan default experience adjusted for seasonal variations. We charge any changes in the principal valuation allowance to signature loan bad debt. We record changes in the fee receivable valuation allowance to signature loan fee revenue.

***Auto Title Loan Credit Service Fee Revenue Recognition:*** We earn auto title credit service fees when we assist customers in obtaining auto title loans from unaffiliated lenders. We recognize the fee revenue ratably over the life of the loan, and reserve the percentage of fees we expect not to collect. Auto title loan credit service fee revenue is included in Auto title loan fees on our statements of operations.

***Bad Debt and Allowance for Losses on Auto Title Loan Credit Services:*** We issue letters of credit to enhance the creditworthiness of our customers seeking auto title loans from unaffiliated lenders. The letters of credit assure the lenders that if borrowers default on the loans, we will pay the lenders, upon demand, all amounts owed to the lenders by the borrowers plus any late fees. Through a charge to auto title loan bad debt, we provide an allowance for losses we expect to incur under letters of credit for brokered auto title loans, and record actual charge-offs against this allowance. The allowance includes all amounts we expect to pay to the unaffiliated lenders upon loan default, including principal, accrued interest and late fees, net of the amounts we expect to collect from borrowers or through the sale of repossessed vehicles. We include the allowance for expected losses in Accounts payable and other accrued expenses on our balance sheets.

***Auto Title Loan Revenue Recognition:*** We accrue fees in accordance with state laws on the percentage of auto title loans we have made that we believe to be collectible. We recognize the fee revenue ratably over the life of the loan.

***Auto Title Loan Bad Debt and Allowance for Losses:*** Based on historical collection experience, the age of past-due loans and amounts we expect to receive through the sale of repossessed vehicles, we provide an allowance for losses on auto title loans and related fees receivable. We charge any increases in the principal valuation allowance to auto title loan bad debt and charge uncollectable loans against this allowance. We record changes in the fee receivable valuation allowance to auto title loan fee revenue.

**Table of Contents**

***Income Taxes:*** We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value of assets and liabilities and their tax basis and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the related temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized when the rate change is enacted.

***Stock Compensation:*** We account for stock compensation in accordance with the fair value recognition provisions of FASB ASC 718-10-25 (Compensation – Stock Compensation). The fair value of restricted shares is measured as the closing market price of our stock on the date of grant, which is amortized over the vesting period for each grant. When granted, our policy is to estimate the grant-date fair value of options using the Black-Scholes-Merton option-pricing model and amortize that fair value to compensation expense on a ratable basis over the options' vesting periods.

***Fair Value of Financial Instruments:*** We have elected not to measure at fair value any eligible items for which fair value measurement is optional. We determine the fair value of financial instruments by reference to various market data and other valuation techniques, as appropriate. Unless otherwise disclosed, the fair values of financial instruments approximate their recorded values, due primarily to their short-term nature. The recorded value of our outstanding debt is assumed to estimate its fair value, as it has no prepayment penalty and a floating interest rate based on market rates.

***Acquisitions:*** We adopted Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 805-10-65 (Business Combinations – Revised) on October 1, 2009, and have applied it prospectively to all business acquisitions completed since that date. In accordance with FASB ASC 805-10-65, we allocate the total acquisition price to the fair value of assets and liabilities acquired and now immediately expense transaction costs that would have been included in the purchase price allocation under previous accounting standards.

***Results of Operations*****Fiscal 2011 Compared to Fiscal 2010**

The following discussion compares our results of operations for the year ended September 30, 2011 to the year ended September 30, 2010. It should be read with the accompanying consolidated financial statements and related notes. In fiscal 2011, consolidated total revenues increased 19%, or \$136.3 million, to \$869.3 million, compared to the prior year. Same store total revenues increased \$70.4 million, or 10%, and new and acquired stores contributed \$65.9 million. Net income increased 26% or \$24.9 million. Excluding the onetime \$10.9 million charge related to the retirement of our former Chief Executive Officer and the related tax benefit, net income increased 33% to \$129.3 million from \$97.3 million in the prior year.

**Table of Contents****U.S. Pawn Operations Segment**

The following table presents selected financial data for the U.S. Pawn Operations segment:

	Fiscal Years Ended September 30,	
	2011	2010
	<i>(Dollars in thousands)</i>	
Merchandise sales	\$ 256,643	\$ 226,424
Jewelry scrapping sales	195,276	163,667
Pawn service charges	184,234	154,505
Signature loan fees	2,501	1,930
Auto title loan fees	1,539	1,659
Other	634	442
<b>Total revenues</b>	<b>640,827</b>	<b>548,627</b>
Merchandise cost of goods sold	147,239	131,825
Jewelry scrapping cost of goods sold	120,767	104,531
Signature loan bad debt	923	641
Auto title loan bad debt	165	236
<b>Net revenues</b>	<b>371,733</b>	<b>311,394</b>
Operations expense	177,191	161,145
<b>Store operating income</b>	<b>\$ 194,542</b>	<b>\$ 150,249</b>
Other data:		
Gross margin on merchandise sales	42.6%	41.8%
Gross margin on jewelry scrapping sales	38.2%	36.1%
Gross margin on total sales	40.7%	39.4%
Average pawn loan balance per pawn store at period end	\$ 311	\$ 292
Average yield on pawn loan portfolio (a)	158%	156%
Pawn loan redemption rate	81.1%	80.5%

(a) Average yield on pawn loan portfolio is calculated as pawn service charge revenues for the period divided by the average pawn loan balance during the period.

The U.S. Pawn Operations segment total revenues increased \$92.2 million, or 17%, from the prior year to \$640.8 million. Same store total revenues increased \$46.7 million, or 9% and new and acquired stores net of closed stores contributed \$45.5 million. The overall increase in total revenues comprised a \$61.8 million increase in merchandise and jewelry scrapping sales, a \$29.7 million increase in pawn service charges, and minor increases in loan fees and other revenues. In fiscal 2011, we acquired 34 U.S. pawn stores for \$68.3 million, and we opened 10 new U.S. pawn stores. As part of these acquisitions, we began operations in three new states; Iowa, Utah and Wisconsin, bringing the total number of states in which we have pawn operations to 16 at September 30, 2011. Our current year U.S. pawn service charge revenue increased 19%, or \$29.7 million, from the prior year to \$184.2 million. Same store pawn service charges increased \$18.4 million, or 12%, with new and acquired stores net of closed stores contributing \$11.3 million. The same store improvement was due to a higher average same store pawn loan balance coupled with higher yield. The yield improved primarily due to a slightly higher loan redemption rate as



we continued to focus on loan values and better qualifying customers to determine those that prefer to sell their merchandise rather than use it as collateral for a loan. Inventory purchases represented 30% of all inventory additions during the year.

The current year merchandise sales gross profit increased \$14.8 million, or 16%, from the prior year to \$109.4 million. This was due to a \$13.0 million, or 6%, increase in same store sales, a \$17.2 million increase in sales from new and acquired stores net of closed stores, and a 0.8 percentage point improvement in gross margins.

**Table of Contents**

Gross profit on jewelry scrapping sales increased \$15.4 million, or 26%, from the prior year to \$74.5 million. Jewelry scrapping revenues increased \$31.6 million, or 19%, due to a 28% increase in proceeds realized per gram of gold jewelry scrapped partially offset by a 9% decrease in gold volume. Same store jewelry scrapping sales increased \$15.7 million, or 10%, and new and acquired stores contributed \$15.9 million. Jewelry scrapping sales include the sale of approximately \$8.1 million of loose diamonds removed from scrap jewelry in the current year and \$3.2 million in the prior year. As a result of the higher average cost per gram of jewelry scrapped, scrap cost of goods increased \$16.2 million, or 16%.

Operations expense increased to \$177.2 million (48% of net revenues) in the current year from \$161.1 million (52% of net revenues) in the prior year. The dollar increase in expense was primarily due to higher operating costs resulting from new and acquired stores. The improvement as a percent of net revenues is from greater scale at same stores and from expense management improvements made at acquired and existing stores.

In the current year, the \$60.1 million greater net revenue from pawn activities, the \$0.2 higher signature and auto title loan contribution, and the \$16.0 million higher operations expense resulted in a \$44.3 million overall increase in store operating income from the U.S. Pawn Operations segment. For the current year, the U.S. Pawn segment contributed 73% of consolidated store operating income compared to 71% in the prior year.

**Empeño Fácil Segment**

The following table presents selected financial data for the Empeño Fácil segment after translation to U.S. dollars from its functional currency of the Mexican peso:

	Fiscal Years Ended September 30,	
	2011	2010
	<i>(Dollars in thousands)</i>	
Merchandise sales	\$ 25,237	\$ 14,030
Jewelry scrapping sales	15,997	7,389
Pawn service charges	16,901	9,190
Other	122	
 Total revenues	 58,257	 30,609
 Merchandise cost of goods sold	 14,672	 8,459
Jewelry scrapping cost of goods sold	12,205	6,137
 Net revenues	 31,380	 16,013
 Operations expense	 20,636	 11,658
 Store operating income	 \$ 10,744	 \$ 4,355
 Other data:		
Gross margin on merchandise sales	41.9%	39.7%
Gross margin on jewelry scrapping sales	23.7%	16.9%
Gross margin on total sales	34.8%	31.9%
Average pawn loan balance per pawn store at period end	\$ 61	\$ 63
Average yield on pawn loan portfolio (a)	187%	182%
Pawn loan redemption rate	73.5%	75.2%

(a)

Average yield on pawn loan portfolio is calculated as pawn service charge revenues for the period divided by the average pawn loan balance during the period.

The average exchange rate used to translate Empeño Fácil's current year results from Mexican pesos to U.S. dollars was 12.1 pesos to the dollar, 6% stronger than in the prior year. Store operating income increased 147% in U.S. dollars and 134% in peso terms. The 96% increase in net revenues was partially offset by higher costs from new stores. We expect new stores will be a drag on earnings until they become profitable in their second year of operation. Approximately 32% of the stores open at September 30, 2011 had been open less than one year. We opened 57 new stores in the current year, 14 of which are Empeño Su Oro jewelry-only pawn stores. These jewelry-

**Table of Contents**

only stores are smaller and require less staff than our full-line pawn stores, but also carry smaller average loan balances per store.

Empeño Fácil's total revenues increased \$27.6 million, or 90%, in the current year to \$58.3 million. Same store total revenues increased \$10.5 million or 34%, and new and acquired stores contributed \$17.1 million. The overall increase in total revenues comprised a \$19.8 million increase in merchandise and jewelry scrapping sales, a \$7.7 million increase in pawn service charges and a \$0.1 million increase in other revenues.

Empeño Fácil's pawn service charge revenues increased \$7.7 million, or 84%, in the current year to \$16.9 million. Same store pawn service charges increased approximately \$3.4 million, or 37%, and new and acquired stores contributed \$4.3 million. The same store increase was due to an improvement in the average pawn loan yield coupled with an increase in average loan balance during the period. The yield increased primarily due to an increase in pawn service charge rates in certain geographic areas compared to the prior year, partially offset by a lower loan redemption rate.

Merchandise gross profit increased \$5.0 million, or 90%, from the prior year to \$10.6 million. This was due to a \$4.2 million, or 30%, same store sales increase and \$7.0 million in sales from new and acquired stores in addition to a 2.2 percentage point increase in gross margins to 41.9%.

Gross profit on jewelry scrapping sales increased \$2.5 million, or 203%, from the prior year to \$3.8 million. Jewelry scrapping revenues increased \$8.6 million, or 116%, due to 107% increase in gold volume and a 5% increase in proceeds realized per gram of gold jewelry scrapped. Same store jewelry scrapping sales increased \$2.9 million, or 40%, and new and acquired stores contributed \$5.7 million. The significant volume increase and the margin increase are due primarily to the continued maturation of our Empeño Su Oro jewelry-only stores. As a result of the greater volume, scrap cost of goods increased \$6.1 million.

Operations expense increased to \$20.6 million (66% of net revenues) in the current year from \$11.7 million (73% of net revenues) in the prior year. The increase was due primarily to the addition of 63 stores through greenfield and acquisitions.

In the current year, the \$15.4 million greater net revenues were partially offset by the \$9.0 million higher operations expense, resulting in a \$6.4 million increase in store operating income for the segment. Empeño Fácil contributed 4% of consolidated store operating income in the current year compared to 2% in the prior year.

**Table of Contents****EZMONEY Operations Segment**

The following table presents selected financial data for the EZMONEY Operations segment:

	Fiscal Years Ended September 30,	
	2011	2010
	<i>(Dollars in thousands)</i>	
Signature loan fees	\$ 147,749	\$ 137,385
Auto title loan fees	20,162	16,048
Merchandise sales	203	
Jewelry scrapping sales	1,206	355
Other	913	21
 Total revenues	 170,233	 153,809
 Signature loan bad debt	 35,405	 31,068
Auto title loan bad debt	2,266	2,499
 Merchandise cost of goods sold	 149	
Jewelry scrapping cost of goods sold	588	170
 Net revenues	 131,825	 120,072
 Operations expense	 69,225	 63,861
 Store operating income	 \$ 62,600	 \$ 56,211
 Other data:		
Signature loan bad debt as a percent of signature loan fees	24.0%	22.6%
Auto title loan bad debt as a percent of auto title loan fees	11.2%	15.6%
Average signature loan balance per store offering signature loans at period end (a)	\$ 63	\$ 67
Average auto title loan balance per store offering auto title loans at period end (b)	\$ 21	\$ 23

(a) Signature loan balances include payday and installment loans (net of valuation allowance) recorded on our balance sheet and the principal portion of active signature loans outstanding from unaffiliated lenders, the balance of which is not included on our balance sheet.

(b) Auto title loan balances include title loans (net of valuation allowance) recorded on our balance sheet and the principal portion of active brokered loans outstanding from unaffiliated lenders, the balance of which is not included on our balance sheet.

The EZMONEY Operations segment total revenues increased \$16.4 million, or 11%, to \$170.2 million, compared to the prior year. This was due to a \$13.1 million, or 9%, increase in same store total revenues and \$3.3 million of total revenues at new stores net of closed or consolidated stores. The overall increase in total revenues comprised a \$10.4 million increase in signature loan revenues, including installment loans and payday loans, a \$4.1 million increase in auto title loan fees and smaller increases in other revenues. In August 2010, January 2011 and July 2011 we introduced installment loans as a replacement product for payday loans in Colorado, Wisconsin and Missouri,

respectively following the introduction of new laws governing payday loans in those states. This contributed to the migration of some of our signature loan balances from payday loans to installment loans.

In the current year, we opened 15 stores in Canada and closed two, bringing our total at September 30, 2011 to 64.

Also, in the current year, we closed 14 EZMONEY stores in the U.S., bringing our total there to 430.

EZMONEY's total signature loan revenues increased \$10.4 million or 8% and same store signature loan revenues increased \$8.0 million, or 6% due to the growth in loan volume, particularly installment loans, which continue to mature following their introduction in Colorado, Wisconsin and Missouri as a replacement for payday loans. Signature loan net revenue increased \$6.0 million, or 6%, compared to fiscal 2010 to \$112.3 million due to increased loan volume offset by a 1.4 percentage point increase in bad debt expressed as a percentage of fees to

**Table of Contents**

24.0%. The increase in bad debt was in part due to the transition to a lower yielding product in Colorado and in part due to operational changes, including underwriting changes, made during the year, which have since been addressed. The segment's net revenues from auto title loans increased \$4.3 million or 32% to \$17.9 million compared to \$13.5 million in the prior year. Same store auto title loan fees increased \$4.3 million or 28%. The same store increase resulted primarily from an increase in gross revenues as the product matures, partially offset by the regulatory elimination of auto title loans in Wisconsin from January 1, 2011 to June 30, 2011, and a 4.4 percentage point improvement in bad debt to 11.2% of related fees. The improvement in bad debt was due to improvements in execution, enhanced productivity and use of technology in our collections department. Following a favorable legislative change, auto title loans were re-introduced in Wisconsin effective July 1, 2011.

The EZMONEY Operations segment began buying and scrapping gold jewelry in the prior year. The segment generated \$0.6 million of jewelry scrapping profit in the current year, with a 51% gross margin compared to \$0.2 million with a 52% gross margin in the prior year.

In April 2011, we acquired the Cash Converters franchise rights for Canada, which allows us to open new stores and operate our Canadian stores as Cash Converters stores. By September 30, 2011, we had 15 Canadian stores buying and selling second-hand goods, in addition to offering payday loans, under the Cash Converters brand. We also began receiving franchise fees from franchisees, which made up the majority of the increase in the segment's other revenues. Merchandise sales in the current year-to-date period were nominal. We expect to rebrand most of our remaining Canadian stores as Cash Converters stores during fiscal year 2012.

Operations expense increased to \$69.2 million (53% of net revenues) from \$63.9 million (53% of net revenues) in the prior year. The increase was mostly from additional labor, rent and other costs at new stores net of closed stores, as operating expenses in our stores opened less than one year, more than offset the decrease due to store closures.

In the current year, the \$6.0 million increase in net revenues from signature loans, \$4.3 million increase in net revenues from auto title loans, the \$0.6 million in scrap sales gross profit and \$0.9 million in other revenues were partially offset by \$5.4 million greater operations expense, resulting in a \$6.4 million net increase in store operating income from the EZMONEY Operations segment. For the current year, EZMONEY Operations contributed 23% of consolidated store operating income compared to 27% in fiscal 2010.

**Other Items**

The following table reconciles our consolidated store operating income discussed above to net income, including items that affect our consolidated financial results but are not allocated among segments:

	Fiscal Years Ended September 30,	
	2011	2010
	<i>(Dollars in thousands)</i>	
Consolidated store operating income	\$ 267,886	\$ 210,815
Administrative expenses	75,270	52,740
Depreciation and amortization	18,344	14,661
(Gain) loss on sale / disposal of assets	309	1,528
Interest income	(37)	(186)
Interest expense	1,690	1,385
Equity in net income of unconsolidated affiliates	(16,237)	(10,750)
Other	(164)	(93)
Consolidated income before income taxes	188,711	151,530
Income tax expense	66,552	54,236
Net income	\$ 122,159	\$ 97,294

Administrative expenses in the current year were \$75.3 million (14% of net revenues) compared to \$52.7 million (12% of net revenues) in the prior year. This increase is primarily due to a pre-tax charge of \$10.9 million related to the retirement of our former Chief Executive Officer. This charge included \$3.4 million attributable to a cash



**Table of Contents**

payment and \$7.5 million attributable to the accelerated vesting of restricted stock. Excluding this charge, administrative expense increased \$11.6 million over the prior year and remained unchanged at 12% of net revenues. Depreciation and amortization expense was \$18.3 million in the current year, compared to \$14.7 million in the prior year. Depreciation on assets placed in service, primarily related to acquired pawn stores and new stores, was partially offset by assets that were retired or became fully depreciated during the year.

In the current year, we recognized \$0.3 million in losses on disposal of assets, as losses related to store closures were partially offset by gains on disposal of other assets. In the prior year we recognized a \$1.5 million loss on store closures or consolidations including a charge for 11 store closures following the passage of legislation negative to the payday lending industry in Colorado and Wisconsin.

Our \$1.7 million net interest expense in the current year and \$1.2 million in the prior year represent primarily interest on borrowed funds, the amortization of deferred financing costs and the commitment fee on our unused available revolving credit facility. At September 30, 2011, we had \$17.5 million in outstanding debt under our revolving credit agreement compared to \$25.0 million of term debt outstanding at the end of the prior year.

Our equity in the net income of Albemarle & Bond increased \$0.5 million, or 7%, in the current year to \$7.3 million as a result of Albemarle & Bond's higher earnings, and a slightly stronger British pound in relation to the U.S. dollar. On November 6, 2009, we acquired 108,218,000 newly issued shares, or approximately 30% of the capital stock of Cash Converters International Limited, a publicly traded company headquartered in Perth, Australia for approximately AUS \$54.1 million (approximately U.S. \$49.6 million). We acquired 16,200,000 additional shares on May 20, 2010 at a cost of AUS \$9.7 million (approximately U.S. \$8.2 million), which increased our ownership level to approximately 33%. In the current year our equity in the net income of Cash Converters was \$8.9 million compared to \$3.9 million in the prior year. As we account for our earnings from Cash Converters on a 3-month lag, the prior year-to-date period included our pro rata share of their results of operations for the 237-day period from our November 6, 2009 initial investment date to the June 30, 2010 end of Cash Converters' period.

The current year's income tax expense was \$66.6 million (35.3% of pretax income) compared to \$54.2 million (35.8% of pretax income) in the prior year. The decrease in the effective tax rates is primarily due to an increase in both domestic employment tax credits and the foreign tax credit on overseas earnings, partially offset by the valuation allowance established for operating losses in our Canada operations during their start-up period.

In fiscal year 2011, our net income increased \$24.9 million, or 26%, to \$122.2 million in fiscal 2011. Excluding the one-time \$10.9 million charge related to the retirement of our former Chief Executive Officer and the related tax benefit, net income increased 33% to \$129.3 million from \$97.3 million in the prior year.

**Table of Contents****Fiscal 2010 Compared to Fiscal 2009**

The following discussion compares our results of operations for the year ended September 30, 2010 to the year ended September 30, 2009. It should be read with the accompanying consolidated financial statements and related notes.

**U.S. Pawn Operations Segment**

The following table presents selected financial data for the U.S. Pawn Operations segment:

	Fiscal Years Ended September 30,	
	2010	2009
	<i>(Dollars in thousands)</i>	
Merchandise sales	\$ 226,424	\$ 202,250
Jewelry scrapping sales	163,667	117,013
Pawn service charges	154,505	124,396
Signature loan fees	1,930	2,293
Auto title loan fees	1,659	1,313
Other	442	431
 Total revenues	 548,627	 447,696
 Merchandise cost of goods sold	 131,825	 121,170
Jewelry scrapping cost of goods sold	104,531	75,744
Signature loan bad debt	641	828
Auto title loan bad debt	236	124
 Net revenues	 311,394	 249,830
 Operations expense	 161,145	 140,525
 Store operating income	 \$ 150,249	 \$ 109,305
 Other data:		
Gross margin on merchandise sales	41.8%	40.1%
Gross margin on jewelry scrapping sales	36.1%	35.3%
Gross margin on total sales	39.4%	38.3%
Average pawn loan balance per pawn store at period end	\$ 292	\$ 266
Average yield on pawn loan portfolio (a)	156%	150%
Pawn loan redemption rate	80.5%	78.7%

(a) Average yield on pawn loan portfolio is calculated as annualized pawn service charge revenue for the period divided by the average pawn loan balance during the period.

The U.S. Pawn Operations segment total revenues increased \$100.9 million, or 23% from fiscal 2009 to \$548.6 million. Same store total revenues increased \$57.6 million, or 13%. The overall increase in total revenues comprised a \$70.8 million increase in merchandise and jewelry scrapping sales and a \$30.1 million increase in pawn service charges. In fiscal 2010, we acquired 16 U.S. pawn stores for \$21.8 million, and opened seven new U.S. pawn stores. As part of these acquisitions, we began operations in Illinois, bringing the total number of states in which we had pawn operations to 13 as of September 30, 2010.

Our fiscal 2010 U.S. pawn service charge revenue increased 24%, or \$30.1 million, from fiscal 2009 to \$154.5 million. Same store pawn service charges increased \$19.4 million, or 16%, with new and acquired stores net of

closed stores contributing \$10.7 million. The same store improvement was due to a higher average same store pawn loan balance coupled with a higher yield. The yield improved primarily due to a higher loan redemption rate as we focused on loan values and better qualifying customers to determine those that prefer to sell their merchandise rather than use it as collateral for a loan. Inventory purchases from customers increased 51% compared to fiscal 2009.

**Table of Contents**

Fiscal 2010 merchandise sales gross profit increased \$13.5 million, or 17%, from fiscal 2009 to \$94.6 million. This was due to a \$17.8 million increase in sales from new and acquired stores net of closed stores, a 1.7 percentage point improvement in gross margin to 41.8%, and a \$6.3 million or 3% increase in same store sales.

Gross profit on jewelry scrapping sales increased \$17.8 million, or 43%, from fiscal 2009 to \$59.1 million on greater volume and a 0.8 percentage point improvement in gross margins to 36.1%. Including a \$14.1 million increase from stores acquired late in the first fiscal quarter of 2009, scrapping revenues increased \$46.7 million, or 40%, on 9% more volume, while proceeds realized per gram of jewelry scrapped increased 28%. In fiscal 2010 and fiscal 2009 respectively, jewelry scrapping sales include the sale of approximately \$3.2 million and \$1.2 million of loose diamonds removed from scrapped jewelry. As a result of the greater volume and a higher average cost per gram of jewelry scrapped, scrap cost of goods increased \$28.8 million, or 38%.

Operations expense increased to \$161.1 million (52% of net revenues) in fiscal 2010 from \$140.5 million (56% of net revenues) in fiscal 2009. The dollar increase in expense was primarily due to higher operating costs at new and acquired stores and higher incentive compensation. The improvement as a percent of net revenues is attributable to greater scale at same stores and expense management improvements made at acquired and existing stores.

In fiscal 2010, the \$61.5 million greater net revenue from U.S. pawn activities, the \$20.6 million higher operations expense and offsetting changes in contributions from signature loans and auto title loans resulted in a \$40.9 million overall increase in store operating income from the U.S. Pawn Operations segment. For fiscal 2010 and 2009, the segment comprised 71% of consolidated store operating income.

**Empeño Fácil Segment**

The following table presents selected financial data for the Empeño Fácil segment after translation to U.S. dollars from its functional currency of the Mexican peso:

	Fiscal Years Ended September 30,	
	2010	2009
	<i>(Dollars in thousands)</i>	
Merchandise sales	\$ 14,030	\$ 8,751
Jewelry scrapping sales	7,389	1,900
Pawn service charges	9,190	5,773
Other		
<b>Total revenues</b>	<b>30,609</b>	<b>16,424</b>
Merchandise cost of goods sold	8,459	5,392
Jewelry scrapping cost of goods sold	6,137	1,277
<b>Net revenues</b>	<b>16,013</b>	<b>9,755</b>
Operations expense	11,658	5,833
<b>Store operating income</b>	<b>\$ 4,355</b>	<b>\$ 3,922</b>
<b>Other data:</b>		
Gross margin on merchandise sales	39.7%	38.4%
Gross margin on jewelry scrapping sales	16.9%	32.8%
Gross margin on total sales	31.9%	37.4%
Average pawn loan balance per pawn store at period end	\$ 63	\$ 58
Average yield on pawn loan portfolio (a)	182%	168%

Pawn loan redemption rate	75.2%	82.3%
---------------------------	-------	-------

(a) Average yield on pawn loan portfolio is calculated as pawn service charge revenue for the period divided by the average pawn loan balance during the period.

The average exchange rate used to translate Empeño Fácil's fiscal 2010 results from Mexican pesos to U.S. dollars was 5% stronger than in fiscal 2009, affecting all revenue and expense items. Store operating income improved

**Table of Contents**

11% in dollars and 5% in peso terms. The 64% increase in net revenues was mostly offset by higher costs from new stores that we expect will be a drag on earnings until they become profitable in their second year of operation. Approximately 46% of the stores open at September 30, 2010 had been open less than a year. We opened 53 new stores in fiscal 2010, 34 of which are Empeñe Su Oro jewelry-only pawn stores. These jewelry-only stores are much smaller and require less staff than our typical pawn stores, but also carry smaller average loan balances per store and immediately sell for scrap any forfeited loan collateral.

Empeño Fácil's total revenues increased \$14.2 million, or 86%, in fiscal 2010 to \$30.6 million. Same store total revenues increased \$6.4 million or 39%, and new stores contributed \$7.8 million. The overall increase in total revenues comprised a \$10.8 million increase in merchandise and jewelry scrapping sales and a \$3.4 million increase in pawn service charges.

Empeño Fácil's pawn service charge revenues increased \$3.4 million, or 59%, in fiscal 2010 to \$9.2 million. Same store pawn service charges increased approximately \$1.9 million, or 34%, and new stores contributed \$1.5 million. The same store increase was due to an improvement in the average pawn loan yield coupled with an increase in average loan balance during the period. The yield increased primarily due to an increase in pawn service charge rates in certain geographic areas compared to fiscal 2009, partially offset by a lower loan redemption rate.

Fiscal 2010's merchandise gross profit increased \$2.2 million, or 66%, from fiscal 2009 to \$5.6 million. This was due to a \$3.0 million, or 34%, same store sales increase, \$2.3 million in sales from new stores and a 1.3 percentage point increase in gross margins to 39.7%.

The gross profit on jewelry scrapping sales increased \$0.6 million to \$1.2 million. The \$5.5 million increase in proceeds was mostly offset by a decrease in jewelry scrapping margins to 16.9%, compared to 32.8% in fiscal 2009. The significant volume increase and the margin decrease are due primarily to the introduction of our new Empeñe Su Oro jewelry-only pawn stores. As these new jewelry-only stores open, the gold values employed are aggressive in the marketplace in order to establish both the new store and the brand.

Operations expense increased to \$11.7 million (73% of net revenues) in fiscal 2010 from \$5.8 million (60% of net revenues) in fiscal 2009. The increase was due primarily to new stores which, typically produce a loss in their first several quarters of operation.

In fiscal 2010, the \$6.3 million greater net revenues were mostly offset by the \$5.9 million higher operations expense, resulting in a \$0.4 million increase in store operating income for the segment. Empeño Fácil made up 2% of consolidated store operating income in the fiscal 2010 compared to 3% in fiscal 2009.

**Table of Contents****EZMONEY Operations Segment**

The following table presents selected financial data for the EZMONEY Operations segment:

	Fiscal Years Ended September 30,	
	2010	2009
	<i>(Dollars in thousands)</i>	
Signature loan fees	\$ 137,385	\$ 131,051
Auto title loan fees	16,048	2,276
Merchandise sales		
Jewelry scrapping sales	355	9
Other	21	
 Total revenues	 153,809	 133,336
Signature loan bad debt	31,068	32,725
Auto title loan bad debt	2,499	256
Merchandise cost of goods sold		
Jewelry scrapping cost of goods sold	170	6
 Net revenues	 120,072	 100,349
 Operations expense	 63,861	 59,879
 Store operating income	 \$ 56,211	 \$ 40,470
 Other data:		
Signature loan bad debt as a percent of signature loan fees	22.6%	25.0%
Auto title loan bad debt as a percent of auto title loan fees	15.6%	11.2%
Average signature loan balance per store offering signature loans at period end (a)	\$ 67	\$ 65
Average auto title loan balance per store offering auto title loans at period end (b)	\$ 23	\$ 11

(a) Signature loan balances include payday and installment loans (net of valuation allowance) recorded on our balance sheets and the principal portion of active signature loans outstanding from unaffiliated lenders, the balance of which is not included on our balance sheet.

(b) Auto title loan balances include title loans (net of valuation allowance) recorded on our balance sheets and the principal portion of active brokered loans outstanding from unaffiliated lenders, the balance of which is not included on our balance sheet.

The EZMONEY Operations segment total revenues increased \$20.5 million, or 15%, to \$153.8 million, compared to fiscal 2009. This was due to a \$20.8 million, or 16%, increase in same store total revenues partially offset by a \$0.3 million decrease due to closed or consolidated stores net of revenues from new stores. The overall increase in total revenues comprised a \$13.8 million increase in auto title loan fees, a \$6.3 million increase in signature loan fees, which include both installment loans and payday loans and a \$0.4 million increase in jewelry scrapping sales and other revenues. In August 2010, we introduced installment loans in Colorado as a replacement product for payday loans. This contributed to the migration of some customers from payday loans to installment loans.

In fiscal 2010, we opened 50 stores in Canada and closed one, bringing our total there to 51. At September 30, 2009 we had two Canadian stores. During fiscal 2010 we closed 28 EZMONEY stores in the U.S., bringing our total to 444. The segment's signature loan net revenues increased \$8.0 million, or 8%, compared to fiscal 2009. The increase resulted primarily from the rapid growth in installment loans and a 2.4 percentage point improvement in bad debt to 22.6% of fees, net of the drag from new stores and closed or consolidated stores. The improvement in bad debt was due to continuing improvements in the store level execution of servicing the customer and the loan, as well as enhanced productivity measurement tools and enhanced use of technology in our collections department.



**Table of Contents**

The segment's net revenues from auto title loans increased to \$13.5 million in fiscal 2010 with bad debt at 15.6% of related fees. This loan product had little volume in fiscal 2009. We expect continued growth in the contribution from auto title loans as the product continues to mature.

The EZMONEY segment began buying and scrapping gold jewelry in fiscal 2010, generating \$0.2 million of gross profit, with a 52% gross margin.

Operations expense increased to \$63.9 million (53% of net revenues) from \$59.9 million (60% of net revenues) in the fiscal 2009. The increase was mostly from additional labor, rent and other costs at new stores net of closed stores.

In fiscal 2010, the \$8.0 million increase in net revenues from signature loans, \$11.5 million increase in net revenues from auto title loans and \$0.2 million in scrap sales gross profit were partially offset by \$4.0 million greater operations expense, resulting in a \$15.7 million net increase in store operating income from the EZMONEY Operations segment. For fiscal 2010 EZMONEY Operations comprised 27% of consolidated store operating income compared to 26% in fiscal 2009.

**Other Items**

The following table reconciles our consolidated store operating income discussed above to net income, including items that affect our consolidated financial results but are not allocated among segments:

	Fiscal Years Ended September 30,	
	2010	2009
	<i>(Dollars in thousands)</i>	
Consolidated store operating income	\$ 210,815	\$ 153,697
Administrative expenses	52,740	40,497
Depreciation and amortization	14,661	12,746
(Gain) loss on sale / disposal of assets	1,528	(1,024)
Interest income	(186)	(281)
Interest expense	1,385	1,425
Equity in net income of unconsolidated affiliates	(10,750)	(5,016)
Other	(93)	38
Consolidated income before income taxes	151,530	105,312
Income tax expense	54,236	36,840
Net income	\$ 97,294	\$ 68,472

Administrative expenses in fiscal 2010 were \$52.7 million (12% of net revenues) compared to \$40.5 million (11% of net revenues) in the prior year. This increase was primarily due to an \$8.9 million increase in administrative labor and benefits, a \$2.1 million increase in professional fees and a \$0.8 million increase in stock compensation. Included in the increased labor and benefits is a higher accrual for incentive compensation reflective of the year's strong earnings performance and additional investments made in infrastructure to support our growth. In the first fiscal quarter of fiscal 2009 administrative expense includes a \$1.1 million bonus to two executives upon their exercise of employee stock options granted in 1998. Terms of the grants required us to pay a cash bonus to the two executives equal to the related tax savings realized by the company. We do not expect this to recur, as no other outstanding options contain similar terms.

Depreciation and amortization expense was \$14.7 million in fiscal 2010, compared to \$12.7 million in fiscal 2009. Depreciation on assets placed in service, primarily related to acquired pawn stores and new stores, was partially offset by assets that were retired or became fully depreciated during the year.

In fiscal 2010, we recognized a \$1.5 million loss on the closure or consolidation of several stores, including the 11 EZMONEY stores in the states of Wisconsin and Colorado, compared to a \$1.0 million gain on disposal of assets in fiscal 2009. In fiscal 2009, insurance proceeds received for assets destroyed by Hurricane Ike exceeded the net book

value of those assets, most of which were replaced.

**Table of Contents**

We borrowed \$40 million on December 31, 2008 to complete the VFS acquisition, and repaid \$15 million by September 30, 2010 through quarterly installments of \$2.5 million each. Our \$1.2 million net interest expense in fiscal 2010 and \$1.1 million in fiscal 2009 represent primarily interest on borrowed funds, the amortization of deferred financing costs and the commitment fee on our unused available credit facility, partially offset by interest income on our invested cash. Borrowings were outstanding for only three quarters of fiscal 2009 but were outstanding for the entire fiscal 2010. This was mostly offset by the quarterly amortization of loan principal and lower interest rates in fiscal 2010.

Our equity in the net income of Albemarle & Bond increased \$1.8 million, or 36%, in fiscal 2010 to \$6.8 million as a result of Albemarle & Bond's higher earnings, partially offset by a weaker British pound in relation to the U.S. dollar. On November 6, 2009, we acquired 108,218,000 newly issued shares, or approximately 30% of the capital stock of Cash Converters International Limited, a publicly traded company headquartered in Perth, Australia for approximately AUS \$54.1 million (approximately U.S. \$49.6 million). We acquired 16,200,000 additional shares on May 20, 2010 at a cost of AUS \$9.7 million (approximately U.S. \$8.2 million), which increased our ownership level to approximately 33%. In fiscal 2010 our equity in the net income of Cash Converters was \$3.9 million, accounted for on a 3-month lag. Fiscal 2010's income tax expense was \$54.2 million (35.8% of pretax income) compared to \$36.8 million (35.0% of pretax income) in fiscal 2009. The increase in the effective tax rate is primarily due to an increase in the valuation allowance established for the operating losses in our Canada operations during their start-up period in fiscal 2010. Consolidated operating income for fiscal 2010 improved \$40.4 million, or 40%, over fiscal 2009 to \$141.9 million. Contributing to this were the \$40.9 million, \$15.7 million and \$0.4 million increases in store operating income in our U.S. Pawn, EZMONEY and Empeño Fácil segments, respectively, partially offset by the \$12.2 million increase in administrative expenses, the \$1.9 million increase in depreciation and amortization and the \$2.5 million increase in loss on disposal of assets. After a \$5.7 million increase in our equity interest in the earnings of unconsolidated affiliates and a \$17.4 million increase in income taxes and other smaller items, net income improved \$28.8 million, or 42%, to \$97.3 million in fiscal 2010.

***Liquidity and Capital Resources***

In fiscal 2011, our \$148.5 million cash flow from operations consisted of (i) net income plus several non-cash items, aggregating to \$166.5 million, net of (ii) \$18.0 million of normal, recurring changes in operating assets and liabilities. In fiscal 2010, our \$124.7 million cash flow from operations consisted of (i) net income plus several non-cash items, aggregating to \$117.5 million, and (ii) \$7.2 million of normal, recurring changes in operating assets and liabilities. The primary differences in cash flow from operations between the current and prior years were the contribution from acquisitions and organic growth throughout our other operations and revenue streams, net of higher taxes paid. The \$136.6 million of net cash used in investing activities during the current year was funded by cash flow from operations, cash on hand and borrowings on our line of credit facility. In the current year, we received \$3.2 million in dividends from Albemarle & Bond and \$4.1 million from Cash Converters. We invested \$67.9 million in cash to acquire 34 pawn stores in the U.S., six pawn stores in Mexico and the trademark and licensing rights of Cash Converters in Canada. Other significant investments in the period were the \$34.8 million in additions to property and equipment and the \$41.1 million of loans made in excess of customer loan repayments and the recovery of principal through the sale of forfeited pawn loan collateral. In fiscal 2011, we incurred \$2.4 million of debt issuance costs related to our new \$175 million revolving credit facility. Net of related tax benefits and proceeds from option exercises, we also paid \$3.9 million of withholding tax upon the net share settlement of restricted stock vesting. The net effect of these and other smaller cash flows was a \$1.9 million decrease in cash on hand, providing a \$24.0 million ending cash balance.

**Table of Contents**

Below is a summary of our cash needs to meet future aggregate contractual obligations (*in millions*):

	Total	Payments due by Period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
Long-term debt obligations	\$ 17.5	\$	\$	\$ 17.5	\$
Interest on long-term debt obligations	5.5	1.5	3.1	0.9	
Operating lease obligations	170.2	45.2	69.2	36.1	19.7
<b>Total</b>	<b>\$ 193.2</b>	<b>\$ 46.7</b>	<b>\$ 72.3</b>	<b>\$ 54.5</b>	<b>\$ 19.7</b>

In addition to the contractual obligations in the table above, we are obligated under letters of credit issued to unaffiliated lenders as part of our credit service operations. At September 30, 2011, our maximum exposure for losses on letters of credit, if all brokered loans defaulted and none was collected, was \$30.3 million. Of that total, \$6.4 million was secured by titles to customers' automobiles. These amounts include principal, interest, insufficient funds fees and late fees.

In addition to the operating lease obligations in the table above, we are responsible for the maintenance, property taxes and insurance at most of our locations. In the fiscal year ended September 30, 2011, these collectively amounted to \$17.4 million.

The operating lease obligations in the table above include expected rent for all our store locations through the end of their current lease terms. Of the 436 U.S. EZMONEY financial services stores, 158 adjoin an EZPAWN store. The lease agreements at approximately 94% of the remaining 278 free-standing U.S. EZMONEY stores contain provisions that limit our exposure for additional rent to only a few months if laws were enacted that had a significant negative effect on our operations at these stores.

In fiscal 2012, we plan to open approximately 90 new stores for an aggregate investment of \$15.3 million of capital expenditures plus the funding of working capital and start-up losses related to these store openings. We believe new stores will create a drag on earnings and liquidity until their second year of operations.

On May 10, 2011, we entered into a new senior secured credit agreement with a syndication of five banks, replacing our previous credit agreement. Among other things, the new credit agreement provides for a four year \$175 million revolving credit facility that we may, under the terms of the agreement, request to be increased to a total of \$225 million. Upon entering the new credit agreement, we repaid and retired all other outstanding debt. The new credit facility increases our available credit and provides greater flexibility to make investments and acquisitions both domestically and internationally. Terms of the credit agreement require, among other things, that we meet certain financial covenants. We were in compliance with all covenants at September 30, 2011 and expect to remain in compliance based on our expected future performance. At September 30, 2011, bank letters of credit totaling \$5 million were outstanding and we had borrowed \$17.5 million, leaving \$152.5 million available on the facility. We anticipate that cash flow from operations, cash on hand and availability under our revolving credit facility will be adequate to fund our contractual obligations, planned store growth, capital expenditures and working capital requirements during the coming year.

We have an effective shelf Registration Statement on Form S-4 covering an aggregate of 2 million shares of our Class A Common Stock that we may offer from time to time in connection with future acquisitions of businesses, assets or securities. During fiscal 2011, we issued an aggregate of approximately 209,000 shares of Class A Common Stock in connection with several acquisitions of pawn stores, leaving approximately 1.8 million shares covered by the registration statement and available for issuance in future acquisitions as of September 30, 2011.

**Off-Balance Sheet Arrangements**

We issue letters of credit ( LOCs ) to enhance the creditworthiness of our credit service customers seeking signature loans and auto title loans from unaffiliated lenders. The LOCs assure the lenders that if borrowers default on the loans,

we will pay the lenders, upon demand, the principal and accrued interest owed them by the borrowers

45

---

**Table of Contents**

plus any insufficient funds fee or late fee. We do not record on our balance sheet the loans related to our credit services as the loans are made by unaffiliated lenders. We do not consolidate the unaffiliated lenders' results with our results as we do not have any ownership interest in the lenders, do not exercise control over them and do not otherwise meet the criteria for consolidation as prescribed by FASB ASC 810-10-25 regarding variable interest entities.

We include an allowance for Expected LOC Losses in Accounts payable and other accrued expenses on our balance sheet. At September 30, 2011, the allowance for Expected LOC Losses was \$1.8 million. At that date, our maximum exposure for losses on letters of credit, if all brokered loans defaulted and none was collected, was \$30.3 million. This amount includes principal, interest, insufficient funds fees and late fees.

We have no other off-balance sheet arrangements.

***Seasonality***

Historically, pawn service charges are highest in our fourth fiscal quarter (July through September) due to a higher average loan balance during the summer lending season. Merchandise sales are highest in the first and second fiscal quarters (October through March) due to the holiday season, jewelry sales surrounding Valentine's Day and the impact of tax refunds in the United States. Jewelry scrapping sales are heavily influenced by the timing of decisions to scrap excess jewelry inventory. Jewelry scrapping sales generally are greatest during our fourth fiscal quarter (July through September). This results from relatively low jewelry merchandise sales in that quarter and the higher loan balance, leading to a higher dollar amount of loan forfeitures in the summer lending season providing more inventory available for sale.

Signature loan fees are generally highest in our third and fourth fiscal quarters (April through September) due to a higher average loan balance during the summer lending season. Signature loan bad debt, both in dollar terms and as a percentage of related fees, is highest in the third and fourth quarters and lowest in the second quarter due primarily to the impact of tax refunds.

The net effect of these factors is that net revenues and net income typically are strongest in the fourth fiscal quarter and weakest in the third fiscal quarter. Our cash flow typically is greatest in the second fiscal quarter due to a high level of loan redemptions and sales in the U.S. income tax refund season.

**Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results*****Forward-Looking Information***

This Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend that all forward-looking statements be subject to the safe harbors created by these laws. All statements, other than statements of historical facts, regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives are forward-looking statements. These statements are often, but not always, made with words or phrases like may, should, could, will, predict, anticipate, believe, estimate, expect, intend, plan, projection and similar expressions. These statements are only predictions of the outcome and timing of future events based on our current expectations and currently available information and, accordingly, are subject to substantial risks, uncertainties and assumptions. Actual results could differ materially from those expressed in the forward-looking statements due to a number of risks and uncertainties, many of which are beyond our control. In addition, we cannot predict all of the risks and uncertainties that could cause our actual results to differ from those expressed in the forward-looking statements. Accordingly, you should not regard any forward-looking statements as a representation that the expected results will be achieved. Important risk factors that could cause results or events to differ from current expectations are identified and described in Part I, Item 1A Risk Factors of this report.

**Table of Contents**

We specifically disclaim any responsibility to publicly update any information contained in a forward-looking statement except as required by law. All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk*****Market Risk Disclosures***

We are exposed to market risk related to interest rates, gold values and changes in foreign currency exchange rates. We do not use derivative financial instruments.

Our earnings are affected by changes in interest rates as our debt has a variable rate. If interest rates average 50 basis points more than our current rate in the fiscal year ending September 30, 2012, our interest expense during the year would increase by approximately \$88,000. This amount is determined by considering the impact of the hypothetical interest rate change on our variable-rate debt at September 30, 2011.

Our earnings and financial position are affected by changes in gold values and the resulting impact on pawn lending, jewelry sales and jewelry cost of goods sold. The proceeds of scrap sales and our ability to sell jewelry inventory at an acceptable margin depend on gold values. The impact on our financial position and results of operations of a hypothetical change in gold values cannot be reasonably estimated. For further discussion, you should read Part I, Item 1A Risk Factors of this report.

Our earnings and financial position are affected by foreign exchange rate fluctuations related to our equity investments in Albemarle & Bond and Cash Converters International, our Empeño Fácil pawn operations in Mexico, and our operations in Canada. Albemarle & Bond's functional currency is the British pound, Cash Converters International functional currency is the Australian dollar, Empeño Fácil's functional currency is the Mexican peso and our Canada operations functional currency is the Canadian dollar. The impact on our results of operations and financial position of hypothetical changes in foreign currency exchange rates cannot be reasonably estimated due to the interrelationship of operating results and exchange rates.

The translation adjustment from Albemarle & Bond representing the strengthening in the British pound during the year ended June 30, 2011 (included in our September 30, 2011 results on a three-month lag) was a \$1.1 million increase to stockholders' equity. On September 30, 2011, the British pound weakened to £1.00 to \$1.5625 U.S. from \$1.6018 at June 30, 2011.

The translation adjustment from Cash Converters International representing the strengthening in the Australian dollar from our investment dates to June 30, 2011 (included in our September 30, 2011 results on a three-month lag) was an \$8.9 million increase to stockholders' equity. On September 30, 2011, the Australian dollar weakened to \$1.00 Australian dollar to \$0.97910 U.S. from \$1.0595 at June 30, 2011.

The translation adjustment from Empeño Fácil representing the weakening of the Mexican peso during the year ended September 30, 2011 was a \$4.6 million decrease to stockholders' equity. We have currently assumed permanent reinvestment of earnings and capital in Mexico. Accumulated translation gains or losses related to any future repatriation of earnings or capital would impact our earnings in the period of repatriation. On September 30, 2011, the peso further weakened to \$1.00 Mexican peso to \$0.0745 U.S. from \$0.0845 at June 30, 2011.

The translation adjustment from our Canadian operations representing the weakening of the Canadian dollar during the year ended September 30, 2011 was a \$0.4 million decrease to stockholders' equity. On September 30, 2011, the Canadian dollar weakened to \$1.00 Canadian dollar to \$0.9682 U.S. from \$1.0238 at June 30, 2011.

We cannot predict the future valuation of foreign currencies or how further movements in them could affect our future earnings or financial position.

**Item 8. Financial Statements and Supplementary Data**  
**Index to Financial Statements**

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	49
<u>Consolidated Financial Statements:</u>	
<u>Consolidated Balance Sheets as of September 30, 2011 and 2010</u>	50
<u>Consolidated Statements of Operations for each of the Three Years Ended September 30, 2011</u>	51
<u>Consolidated Statements of Comprehensive Income for each of the Three Years Ended September 30, 2011</u>	52
<u>Consolidated Statements of Cash Flows for each of the Three Years Ended September 30, 2011</u>	53
<u>Consolidated Statements of Stockholders' Equity for each of the Three Years Ended September 30, 2011</u>	54
<u>Notes to Consolidated Financial Statements</u>	55



**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders

EZCORP, Inc.

Austin, Texas

We have audited the accompanying consolidated balance sheets of EZCORP, Inc. (the Company) as of September 30, 2011 and 2010 and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EZCORP, Inc. at September 30, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of EZCORP, Inc.'s internal control over financial reporting as of September 30, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated November 23, 2011 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Dallas, Texas

November 23, 2011

**Table of Contents**

**EZCORP, Inc.**  
**Consolidated Balance Sheets**

	September 30, 2011                      2010 <i>(In thousands)</i>	
Assets:		
Current assets:		
Cash and cash equivalents	\$ 23,969	\$ 25,854
Pawn loans	145,318	121,201
Signature loans, net	11,389	10,775
Auto title loans, net	3,222	3,145
Pawn service charges receivable, net	26,455	21,626
Signature loan fees receivable, net	5,348	5,818
Auto title loan fees receivable, net	1,427	1,616
Inventory, net	90,373	71,502
Deferred tax asset	18,125	23,208
Prepaid expenses and other assets	30,611	17,427
 Total current assets	 356,237	 302,172
Investments in unconsolidated affiliates	120,319	101,386
Property and equipment, net	78,498	62,293
Deferred tax asset, non-current		60
Goodwill	173,206	117,305
Intangible assets, net	19,790	16,454
Other assets, net	8,400	6,742
 Total assets	 \$ 756,450	 \$ 606,412
Liabilities and stockholders' equity:		
Current liabilities:		
Current maturities of long-term debt	\$	\$ 10,000
Accounts payable and other accrued expenses	57,400	49,663
Customer layaway deposits	6,176	6,109
Income taxes payable	693	3,687
 Total current liabilities	 64,269	 69,459
Long-term debt, less current maturities	17,500	15,000
Deferred tax liability	8,331	
Deferred gains and other long-term liabilities	2,102	2,525
 Total liabilities	 92,202	 86,984
Commitments and contingencies		
Stockholders' equity:		
Class A Non-voting Common Stock, par value \$.01 per share; authorized 54 million shares; 47,228,610 issued and outstanding in 2011; 46,256,051 issued and	471	463

outstanding in 2010

Class B Voting Common Stock, convertible, par value \$.01 per share; 3 million shares authorized; issued and outstanding: 2,970,171

	30	30
Additional paid-in capital	242,398	225,374
Retained earnings	422,095	299,936
Accumulated other comprehensive income (loss)	(746)	(6,375)
 Total stockholders' equity	 664,248	 519,428
 Total liabilities and stockholders' equity	 \$ 756,450	 \$ 606,412

*See accompanying notes to consolidated financial statements.*

**Table of Contents**

**EZCORP, Inc.**  
**Consolidated Statements of Operations**

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands, except per share amounts)</i>		
Revenues:			
Sales	\$ 494,562	\$ 411,865	\$ 329,923
Pawn service charges	201,135	163,695	130,169
Signature loan fees	150,250	139,315	133,344
Auto title loan fees	21,701	17,707	3,589
Other	1,669	463	431
 Total revenues	 869,317	 733,045	 597,456
 Cost of goods sold	 295,620	 251,122	 203,589
Signature loan bad debt	36,328	31,709	33,553
Auto title loan bad debt	2,431	2,735	380
 Net revenues	 534,938	 447,479	 359,934
 Operating expenses:			
Operations	267,052	236,664	206,237
Administrative	75,270	52,740	40,497
Depreciation and amortization	18,344	14,661	12,746
(Gain) / loss on sale or disposal of assets	309	1,528	(1,024)
 Total operating expenses	 360,975	 305,593	 258,456
 Operating income	 173,963	 141,886	 101,478
 Interest income	 (37)	 (186)	 (281)
Interest expense	1,690	1,385	1,425
Equity in net income of unconsolidated affiliates	(16,237)	(10,750)	(5,016)
Other	(164)	(93)	38
 Income before income taxes	 188,711	 151,530	 105,312
Income tax expense	66,552	54,236	36,840
 Net income	 \$ 122,159	 \$ 97,294	 \$ 68,472
 Net income per common share:			
Basic	\$ 2.45	\$ 1.98	\$ 1.45
Diluted	\$ 2.43	\$ 1.96	\$ 1.42

Edgar Filing: EZCORP INC - Form 10-K

Weighted average shares outstanding:

Basic	49,917	49,033	47,372
Diluted	50,369	49,576	48,076

*See accompanying notes to consolidated financial statements.*

51

---

**Table of Contents**

**EZCORP, Inc.**  
**Consolidated Statements of Comprehensive income**

	Fiscal Years Ended September 30,		
	2011	2010	2009
		<i>(In thousands)</i>	
Net Income	\$ 122,159	\$ 97,294	\$ 68,472
Other comprehensive income (loss):			
Foreign currency translation adjustments	10,393	(3,673)	(8,799)
Unrealized holding gains arising during period	930		
Income tax benefit (provision)	(5,694)	1,918	1,598
Other comprehensive income, net of tax	5,629	(1,755)	(7,201)
Comprehensive income	\$ 127,788	\$ 95,539	\$ 61,271

*See accompanying notes to consolidated financial statements.*

52

---

**Table of Contents**

**EZCORP, Inc.**  
**Consolidated Statements of Cash Flows**

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands)</i>		
<b>Operating Activities:</b>			
Net income	\$ 122,159	\$ 97,294	\$ 68,472
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18,344	14,661	12,746
Signature loan and auto title loan loss provisions	15,052	11,588	9,023
Deferred taxes	13,647	(1,287)	2,493
(Gain) / loss on sale or disposal of assets	309	1,528	(1,024)
Stock compensation	13,208	4,512	3,701
Income from investments in unconsolidated affiliates	(16,237)	(10,750)	(5,016)
Changes in operating assets and liabilities, net of business acquisitions:			
Service charges and fees receivable, net	(2,998)	(4,312)	(1,408)
Inventory, net	(5,422)	(2,144)	(783)
Prepaid expenses, other current assets, and other assets, net	(12,759)	(6,277)	(4,767)
Accounts payable and accrued expenses	6,881	15,592	(3,649)
Customer layaway deposits	(70)	1,824	861
Deferred gains and other long-term liabilities	(345)	(736)	(363)
Excess tax benefit from stock compensation	(3,230)	(1,861)	(1,789)
Income taxes	(98)	5,093	2,120
<b>Net cash provided by operating activities</b>	<b>148,441</b>	<b>124,725</b>	<b>80,617</b>
<b>Investing Activities:</b>			
Loans made	(652,403)	(545,579)	(446,023)
Loans repaid	405,594	335,832	276,255
Recovery of pawn loan principal through sale of forfeited collateral	205,662	174,224	154,235
Additions to property and equipment	(34,776)	(25,741)	(19,264)
Acquisitions, net of cash acquired	(67,919)	(21,837)	(40,922)
Investments in unconsolidated affiliates		(59,188)	
Dividends from unconsolidated affiliates	7,274	3,841	1,634
Proceeds on disposal of assets		1,347	1,062
<b>Net cash used in investing activities</b>	<b>(136,568)</b>	<b>(137,101)</b>	<b>(73,023)</b>
<b>Financing Activities:</b>			
Proceeds from exercise of stock options	397	1,602	4,943
Stock issuance costs related to acquisitions			(442)
Excess tax benefit from stock compensation	3,230	1,861	1,789
Debt issuance costs	(2,397)	3	(1,179)
Taxes paid related to net share settlement of equity awards	(7,484)		
Proceeds on revolving line of credit	164,500	63,050	
Payments on revolving line of credit	(147,000)	(63,050)	

Edgar Filing: EZCORP INC - Form 10-K

Proceeds from bank borrowings			40,000
Payments on bank borrowings	(25,004)	(10,000)	(35,385)
Net cash provided by (used in) financing activities	(13,758)	(6,534)	9,726
Change in cash and equivalents	(1,885)	(18,910)	17,320
Cash and equivalents at beginning of period	25,854	44,764	27,444
Cash and equivalents at end of period	\$ 23,969	\$ 25,854	\$ 44,764
Cash paid during the period for:			
Interest	\$ 1,147	\$ 913	\$ 1,181
Income taxes	\$ 55,124	\$ 50,631	\$ 32,231
Non-cash Investing and Financing Activities:			
Pawn loans forfeited and transferred to inventory	\$ 215,188	\$ 177,821	\$ 155,690
Foreign currency translation adjustment	\$ (5,024)	\$ 1,755	\$ 7,201
Acquisition-related stock issuance	\$ 7,304	\$ (31)	\$ 71,197
Issuance of common stock to 401(k) plan	\$ 377	\$ 260	\$ 178

*See accompanying notes to consolidated financial statements.*



**Table of Contents**

**EZCORP, Inc.**  
**Consolidated Statements of Stockholders Equity**

	Common Stock Par	Additional Paid In	Retained	Treasury	Accumulated Other Comprehensive Income (Loss)	Total	
	Shares	Value	Capital	Stock			
	<i>(In thousands)</i>						
Balances at September 30, 2008	41,535	\$ 416	\$ 135,895	\$ 134,170	\$ (12)	\$ 2,581	\$ 273,050
Issuance of Common Stock to 401(k) plan	17		178				178
Stock compensation			3,701				3,701
Stock options and warrants exercised	1,517	16	4,915	12			4,943
Issuance of Common Stock due to acquisitions	5,175	51	70,702				70,753
Release of Restricted Stock	459	4	(4)				
Excess tax benefit from stock compensation			1,789				1,789
Unrealized gain (loss) on available-for-sale securities							
Foreign currency translation adjustment					(7,201)		(7,201)
Net income				68,472			68,472
Total comprehensive income							61,271
Balances at September 30, 2009	48,703	487	217,176	202,642	(4,620)		415,685
Issuance of Common Stock to 401(k) plan	13		260				260
Stock compensation			4,512				4,512
Stock options exercised	494	6	1,596				1,602
Issuance of Common Stock due to acquisitions			(31)				(31)
Release of Restricted Stock	16						
Excess tax benefit from stock compensation			1,861				1,861

Unrealized gain (loss) on available-for-sale securities							
Foreign currency translation adjustment						(1,755)	(1,755)
Net income				97,294			97,294
Total comprehensive income							95,539
Balances at September 30, 2010	49,226	493	225,374	299,936		(6,375)	519,428
Issuance of Common Stock to 401(k) plan	12		377				377
Stock compensation			13,208				13,208
Stock options exercised	62	1	396				397
Issuance of Common Stock due to acquisitions	209	2	7,302				7,304
Release of Restricted Stock	690						
Excess tax benefit from stock compensation		5	3,225				3,230
Taxes paid related to net share settlement of equity awards			(7,484)				(7,484)
Unrealized gain (loss) on available-for-sale securities						605	605
Foreign currency translation adjustment						5,024	5,024
Net income				122,159			122,159
Total comprehensive income							127,788
Balances at September 30, 2011	50,199	\$ 501	\$ 242,398	\$ 422,095	\$	\$ (746)	\$ 664,248

See accompanying notes to consolidated financial statements.

**Table of Contents****EZCORP, Inc.****Notes to Consolidated Financial Statements****Note A: Organization and Summary of Significant Accounting Policies**

**Organization:** We are a leading provider of specialty consumer financial services. We provide collateralized, non-recourse loans, commonly known as pawn loans, and a variety of short-term consumer loans including payday loans, installment loans and auto title loans, or fee-based credit services to customers seeking loans.

At September 30, 2011, we operated a total of 1,111 locations, consisting of 433 U.S. pawn stores (operating as EZPAWN or Value Pawn), 178 pawn stores in Mexico (operating as Empeño Fácil or Empeñe Su Oro), 436 U.S. financial services stores (operating primarily as EZMONEY), 49 financial services stores in Canada (operating as CASHMAX) and 15 financial and retail services stores in Canada (operating as Cash Converters). In addition, we are the franchisor for 13 franchised stores in Canada pursuant to our acquisition of the Cash Converters master franchise in that country. We also own almost 30% of Albemarle & Bond Holdings PLC, one of the U.K.'s largest pawnbroking businesses with over 150 stores, and almost 33% of Cash Converters International Limited, which franchises and operates a worldwide network of over 600 financial services and second-hand retail stores.

**Consolidation:** The consolidated financial statements include the accounts of EZCORP, Inc. and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation. We account for our investments in Albemarle & Bond Holdings, PLC and Cash Converters International Limited using the equity method.

**Pawn Loan and Sales Revenue Recognition:** We record pawn service charges using the interest method for all pawn loans we believe to be collectible. We base our estimate of collectible loans on several factors, including recent redemption rates, historical trends in redemption rates and the amount of loans due in the following two months. Unexpected variations in any of these factors could change our estimate of collectible loans, affecting our earnings and financial condition. If a pawn loan is not repaid, we value the forfeited collateral (inventory) at the lower of cost (pawn loan principal) or market value of the property. We record sales revenue and the related cost when this inventory is sold, or when we receive the final payment on a layaway sale. Sales tax collected upon the sale of inventory is excluded from the amount recognized as sales and instead recorded as a liability in Accounts payable and other accrued expenses on our balance sheets until remitted to the appropriate governmental authorities.

**Signature Loan Credit Service Fee Revenue Recognition:** We earn credit service fees when we assist customers in obtaining signature loans from unaffiliated lenders. We initially defer recognition of the fees we expect to collect, net of direct expenses, and recognize that deferred net amount over the life of the related loans. We reserve the percentage of credit service fees we expect not to collect. Accrued fees related to defaulted loans reduce credit service fee revenue upon loan default, and increase credit service fee revenue upon collection. Signature loan credit service fee revenue is included in Signature loan fees on our statements of operations.

**Signature Loan Credit Service Bad Debt:** We issue letters of credit to enhance the creditworthiness of our customers seeking signature loans from unaffiliated lenders. The letters of credit assure the lenders that if borrowers default on the loans, we will pay the lenders, upon demand, the principal and accrued interest owed to the lenders by the borrowers plus any insufficient funds fees. Although amounts paid under letters of credit may be collected later, we charge those amounts to signature loan bad debt upon default. We record recoveries under the letters of credit as a reduction of bad debt at the time of collection. After attempting collection of bad debts internally, we occasionally sell them to an unaffiliated company as another method of recovery, and record the proceeds from such sales as a reduction of bad debt at the time of the sale.

The majority of our credit service customers obtain short-term signature loans with a single maturity date. These short-term loans, with terms averaging about 16 days, are considered defaulted if they have not been repaid or renewed by the maturity date. Other credit service customers obtain installment loans with a series of payments due over as much as a seven-month period. If one payment of an installment loan is delinquent, that one payment is considered defaulted. If more than one installment payment is delinquent at any time, the entire loan is considered defaulted.

**Allowance for Losses on Signature Loan Credit Services:** We provide an allowance for losses we expect to incur under letters of credit for brokered signature loans that have not yet matured. The allowance is based on recent loan



**Table of Contents**

experience adjusted for seasonal variations. It includes all amounts we expect to pay to the unaffiliated lenders upon loan default, including loan principal, accrued interest, insufficient funds fees, and late fees, net of the amounts we expect to collect from borrowers (collectively, Expected LOC Losses ). Changes in the allowance are charged to signature loan bad debt. We include the balance of Expected LOC Losses in Accounts payable and other accrued expenses on our balance sheets. Based on the expected loss and collection percentages, we also provide an allowance for the signature loan credit service fees we expect not to collect, and charge changes in this allowance to signature loan fee revenue.

***Signature Loan Revenue Recognition:*** We accrue fees in accordance with state and provincial laws on the percentage of signature loans (payday loans and installment loans) we have made that we believe to be collectible. Accrued fees related to defaulted loans reduce fee revenue upon loan default, and increase fee revenue upon collection.

***Signature Loan Bad Debt:*** We consider a payday loan defaulted if it has not been repaid or renewed by the maturity date. If one payment of an installment loan is delinquent, that one payment is considered defaulted. If more than one installment payment is delinquent at any time, the entire installment loan is considered defaulted. Although defaulted loans may be collected later, we charge the loan principal to signature loan bad debt upon default, leaving only active loans in the reported balance. We record collections of principal as a reduction of signature loan bad debt when collected. After attempting collection of bad debts internally, we occasionally sell them to an unaffiliated company as another method of recovery and record the proceeds from such sales as a reduction of bad debt at the time of sale.

***Signature Loan Allowance for Losses:*** We provide an allowance for losses on signature loans that have not yet matured and related fees receivable, based on recent loan default experience adjusted for seasonal variations. We charge any changes in the principal valuation allowance to signature loan bad debt. We record changes in the fee receivable valuation allowance to signature loan fee revenue.

***Auto Title Loan Credit Service Fee Revenue Recognition:*** We earn auto title credit service fees when we assist customers in obtaining auto title loans from unaffiliated lenders. We recognize the fee revenue ratably over the life of the loan, and reserve the percentage of fees we expect not to collect. Auto title loan credit service fee revenue is included in Auto title loan fees on our statements of operations.

***Bad Debt and Allowance for Losses on Auto Title Loan Credit Services:*** We issue letters of credit to enhance the creditworthiness of our customers seeking auto title loans from unaffiliated lenders. The letters of credit assure the lenders that if borrowers default on the loans, we will pay the lenders, upon demand, all amounts owed to the lenders by the borrowers plus any late fees. Through a charge to auto title loan bad debt, we provide an allowance for losses we expect to incur under letters of credit for brokered auto title loans, and record actual charge-offs against this allowance. The allowance includes all amounts we expect to pay to the unaffiliated lenders upon loan default, including principal, accrued interest and late fees, net of the amounts we expect to collect from borrowers or through the sale of repossessed vehicles. We include the allowance for expected losses in Accounts payable and other accrued expenses on our balance sheets.

***Auto Title Loan Revenue Recognition:*** We accrue fees in accordance with state laws on the percentage of auto title loans we have made that we believe to be collectible. We recognize the fee revenue ratably over the life of the loan.

***Auto Title Loan Bad Debt and Allowance for Losses:*** Based on historical collection experience, the age of past-due loans and amounts we expect to receive through the sale of repossessed vehicles, we provide an allowance for losses on auto title loans and related fees receivable. We charge any increases in the principal valuation allowance to auto title loan bad debt and charge uncollectable loans against this allowance. We record changes in the fee receivable valuation allowance to auto title loan fee revenue.

***Cash and Cash Equivalents and Cash Concentrations:*** Cash and cash equivalents consist primarily of cash on deposit or highly liquid investments or mutual funds with original contractual maturities of three months or less. We hold cash at major financial institutions that often exceed FDIC insured limits. We manage our credit risk associated with cash and cash equivalents and cash concentrations by investing in high quality instruments or funds, concentrating our cash deposits in high quality financial institutions and by periodically evaluating the credit quality of the primary financial institutions issuing investments or holding such deposits. Historically, we have not experienced any losses due to such cash concentrations.

***Inventory:*** If a pawn loan is not redeemed, we record the forfeited collateral at cost (the principal amount of the pawn loan). We do not record loan loss allowances or charge-offs on the principal portion of pawn loans, as they are fully collateralized.

**Table of Contents**

In order to state inventory at the lower of cost (specific identification) or market value, we record an allowance for excess, obsolete or slow moving inventory based on the type and age of merchandise. We record changes in the inventory valuation allowance as cost of goods sold.

**Software Development Costs:** We capitalize certain costs incurred in connection with developing or obtaining software for internal use, and amortize the costs by the straight-line method over the estimated useful lives of each system, typically five years.

**Customer Layaway Deposits:** Customer layaway deposits are recorded as deferred revenue until we collect the entire related sales price and deliver the related merchandise to the customer.

**Intangible Assets:** Goodwill and other intangible assets having indefinite lives are not subject to amortization. They are tested for impairment each July 1<sup>st</sup>, or more frequently if events or changes in circumstances indicate that they might be impaired, based on cash flows and other market valuation methods. We amortize intangible assets with definite lives over their estimated useful lives using the straight-line method.

**Property and Equipment:** We record property and equipment at cost. We depreciate these assets on a straight-line basis using estimated useful lives of 30 years for buildings and 2 to 7 years for furniture, equipment, and software development costs. We depreciate leasehold improvements over the shorter of their estimated useful life (typically 10 years) or the reasonably assured lease term at the inception of the lease.

**Valuation of Tangible Long-Lived Assets:** We assess the impairment of tangible long-lived assets whenever events or changes in circumstances indicate that the net recorded amount may not be recoverable. The following factors could trigger an impairment review: significant underperformance relative to historical or projected future cash flows, significant changes in the manner of use of the assets or the strategy for the overall business, significant negative industry trends or legislative changes prohibiting us from offering our loan products. When we determine that the net recorded amount of tangible long-lived assets may not be recoverable, we measure impairment based on the excess of the assets' net recorded amount over the estimated fair value.

**Fair Value of Financial Instruments:** We have elected not to measure at fair value any eligible items for which fair value measurement is optional. We determine the fair value of financial instruments by reference to various market data and other valuation techniques, as appropriate. Unless otherwise disclosed, the fair values of financial instruments approximate their recorded values, due primarily to their short-term nature. The recorded value of our outstanding debt is assumed to estimate its fair value, as it has no prepayment penalty and a floating interest rate based on market rates.

**Acquisitions:** We adopted Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 805-10-65 (Business Combinations Revised) on October 1, 2009, and have applied it prospectively to all business acquisitions completed since that date. In accordance with FASB ASC 805-10-65, we allocate the total acquisition price to the fair value of assets and liabilities acquired and now immediately expense transaction costs that would have been included in the purchase price allocation under previous accounting standards.

**Foreign Currency Translation:** Our equity investments in Albemarle & Bond and Cash Converters International are translated from British pounds and Australian dollars, respectively, into U.S. dollars at the exchange rates as of the investees' balance sheet date of June 30. The related interest in the investees' net income is translated at the average exchange rates for each six-month period reported by the investees. The functional currency of our wholly-owned Empeño Fácil pawn segment is the Mexican peso and the functional currency of our wholly-owned foreign subsidiary in Canada is the Canadian dollar. Empeño Fácil's and our Canadian subsidiary's balance sheet accounts are translated from their respective functional currencies into U.S. dollars at the exchange rate at the end of each quarter, and their earnings are translated into U.S. dollars at the average exchange rate each quarter. We present resulting translation adjustments from Albemarle & Bond, Cash Converters International, Empeño Fácil and our Canadian subsidiary as a separate component of stockholders' equity. Foreign currency transaction gains and losses have not been significant, and are reported as Other expense in our statements of operations.

**Cost of Goods Sold:** We include in cost of goods sold the historical cost of inventory sold, inventory shrinkage and any change in the allowance for inventory shrinkage and valuation. We also include the cost of operating our central jewelry processing unit, as it relates directly to sales of precious metals to refiners.





**Table of Contents**

**Operations Expense:** Included in operations expense are costs related to operating our stores. These costs include labor, other direct expenses such as utilities, supplies and banking fees, and indirect expenses such as store rent, building repairs and maintenance, advertising, store property taxes and insurance, regional and area management expenses and the costs of our bad debt collection center.

**Administrative Expense:** Included in administrative expense are costs related to our executive and administrative offices. This includes executive and administrative salaries, wages, stock and incentive compensation, professional fees, license fees and costs related to the operation of our administrative offices such as rent, property taxes, insurance, and information technology.

**Advertising:** We expense advertising costs as incurred.

**Income Taxes:** We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value of assets and liabilities and their tax basis and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the related temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized when the rate change is enacted.

**Stock Compensation:** We account for stock compensation in accordance with the fair value recognition provisions of FASB ASC 718-10-25 (Compensation – Stock Compensation). The fair value of restricted shares is measured as the closing market price of our stock on the date of grant, which is amortized over the vesting period for each grant. When granted, our policy is to estimate the grant-date fair value of options using the Black-Scholes-Merton option-pricing model and amortize that fair value to compensation expense on a ratable basis over the options' vesting periods.

**Use of Estimates:** Generally accepted accounting principles require us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

**Reclassifications:** Certain prior year balances have been reclassified to conform to the current year presentation.

**Recently Issued Accounting Pronouncements:** In June 2009, FASB amended ASC 810-10-65 (Consolidation). Amended ASC 810-10-65 relates to the consolidation of variable interest entities. It eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and requires ongoing qualitative reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This guidance also requires additional disclosures about an enterprise's involvement in variable interest entities. We adopted this amended standard October 1, 2010, resulting in no effect on our financial position, results of operations or cash flows.

In July 2010, FASB issued Accounting Standards Update (ASU) 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. This update amends FASB ASC 310 (Receivables) to improve the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide new disclosures about its financing receivables and related allowance for credit losses. We adopted this amended standard on October 1, 2010, resulting in no effect on our financial position, results of operations or cash flows. The additional required disclosures are included in Note S.

In June 2011, FASB issued ASU 2011-05, Presentation of Comprehensive Income. This update amends FASB ASC 220 (Comprehensive Income) and eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. We early adopted this amended standard in our fiscal year beginning October 1, 2010 with no effect on our financial position, results of operations or cash flows other than the presentation of our results of operations.

**Table of Contents****Note B: Acquisitions**

On December 31, 2008, we acquired through a merger all of the capital stock of Value Financial Services, Inc. ( VFS ). The following table provides information related to the acquisition:

	Fiscal Year Ended September 30, 2009 <i>(In thousands except store counts)</i>
Pawn stores acquired	67
Consideration:	
Cash	\$ 13,590
Equity instruments (4.1 million shares of Class A Non-voting stock at \$15.92 per share)	64,609
Fair value of total consideration transferred	78,199
Capitalized acquisition costs	894
Cash acquired	(1,410)
Total purchase price	77,683
Assumed debt	30,385
Total acquisition costs	\$ 108,068
Current assets:	
Pawn loans	\$ 17,886
Pawn service charges receivable	3,491
Inventory	16,265
Deferred tax asset	4,394
Prepaid expenses and other assets	1,438
Total current assets	43,474
Property and equipment	5,584
Deferred tax asset, non-current	690
Goodwill	61,877
Other assets	5,719
Total assets	\$ 117,344
Current liabilities:	
Current maturities of long-term debt	\$ (4,000)
Accounts payable and other accrued expenses	(8,404)
Customer layaway deposits	(872)

Total current liabilities		(13,276)
Long-term debt		(26,385)
Total liabilities		(39,661)
Net assets acquired	\$	77,683
Goodwill recorded in U.S. Pawn segment	\$	61,877
Goodwill deductible for tax purposes		
Indefinite lived intangible assets acquired:		
Trademark and trade names	\$	4,870
Definite lived intangible assets acquired:		
Favorable lease asset	\$	644

We estimated the fair value of the stock issued in the acquisition based on the average daily closing market price of our stock from two days before to two days after the announcement of the merger agreement. Since the date of acquisition, the total purchase price increased approximately \$0.3 million due to additional transaction related costs identified after the point of acquisition.

**Table of Contents**

As we expect to use the trademark and trade names indefinitely, they are not amortized but are tested at least annually for potential impairment. We are amortizing the favorable lease assets over the related lease terms used for straight-line rent purposes.

The factors contributing to the recognition of goodwill were based on several strategic and synergistic benefits we expect to realize from the acquisition. These benefits include a greater presence in prime pawn markets including making us the largest pawn store operator in Florida, expected administrative savings, increased scale and the ability to implement certain processes and practices at the acquired company in our existing and future operations.

The total purchase price presented above excludes contingent consideration paid under the terms of the acquisition, which depended on the price at which VFS shareholders sold their EZCORP shares. After the closing of the acquisition, we paid \$10.7 million of contingent consideration to VFS shareholders related to the sale of approximately 3.9 million EZCORP shares. In accordance with accounting rules for contingent payments based on the acquirer's stock price, all contingent consideration paid was recorded as a reduction of the additional paid-in capital recorded with the stock issuance and did not change the total recorded purchase price.

The results of the acquired stores have been consolidated with our results since their acquisition. The following table summarizes unaudited pro forma condensed combined statements of operations assuming the acquisition had occurred on the first day of fiscal 2009. Although VFS's historical fiscal year ended on a different date than that of EZCORP, all VFS data included in the pro forma information are actual amounts for the periods indicated.

We have realized operating synergies and administrative savings. These come primarily from using the best practices from EZCORP and VFS in each business, economies of scale, reduced administrative support staff and the closure of VFS's corporate offices. The pro forma information does not include any potential operating efficiencies or cost savings from expected synergies. The pro forma information is not necessarily an indication of the results that would have been achieved had the acquisition been completed as of the date indicated or that may be achieved in the future. The following table presents unaudited consolidated pro forma information as if the VFS acquisition had occurred on October 1, 2009:

	Fiscal Year Ended September 30, 2009 <i>(In thousands)</i>
Total revenues	\$ 634,693
Net revenues	380,020
Net income	70,358

**Table of Contents**

The following table provides information related to the acquisitions of domestic and foreign pawn lending locations made during the years ended September 30, 2011, 2010 and 2009 (excluding locations acquired in connection with the acquisition described above related to Value Financial Services):

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands except store counts)</i>		
Number of asset purchase acquisitions	9	5	1
Number of stock purchase acquisitions	3		
U.S. pawn stores acquired	34	16	11
Mexico pawn stores acquired	6		
Total pawn stores acquired	40	16	11
Consideration:			
Cash	\$ 69,977	\$ 22,507	\$ 17,124
Equity instruments	7,304		17,250
Fair value of total consideration transferred	77,281	22,507	34,374
Capitalized acquisition costs			178
Acquisition related costs included in administrative expenses	(920)	(643)	
Cash acquired	(1,138)	(58)	(117)
Total purchase price	\$ 75,223	\$ 21,806	\$ 34,435
Current assets:			
Pawn loans	\$ 8,572	\$ 2,700	\$ 5,442
Signature loans	710		55
Auto title loans			1,105
Service charges and fees receivable	1,270	379	1,322
Inventory	4,838	1,542	2,860
Deferred tax asset	461	223	334
Prepaid expenses and other assets	728	66	79
Total current assets	16,579	4,910	11,197
Property and equipment	1,051	387	392
Goodwill	56,703	15,870	16,297
Other assets	2,558	1,057	6,711
Total assets	\$ 76,891	\$ 22,224	\$ 34,597
Current liabilities:			
Accounts payable and other accrued expenses	\$ (1,176)	\$ (93)	\$ (27)
Customer layaway deposits	(182)	(102)	(135)
Other current liabilities	(26)		

Edgar Filing: EZCORP INC - Form 10-K

Total current liabilities	(1,384)	(195)	(162)
Deferred tax liability	(284)	(223)	
Total liabilities	(1,668)	(418)	(162)
Net assets acquired	\$ 75,223	\$ 21,806	\$ 34,435
Goodwill deductible for tax purposes	\$ 34,376	\$ 15,870	\$ 16,297
Goodwill recorded in U.S. Pawn Segment	53,555	15,870	16,297
Goodwill recorded in Empeño Fácil segment	3,148		
Indefinite lived intangible assets acquired:			
Pawn licenses	\$	\$ 607	\$ 6,680
Definite lived intangible assets acquired:			
Favorable lease asset	\$ 111	\$	\$
Non-compete agreements	769	420	

The fiscal year 2011 acquisitions in the table above include an acquisition of the trademark and licensing rights for Cash Converters in Canada, in which no goodwill was acquired. The factors contributing to the recognition of goodwill were

**Table of Contents**

based on several strategic and synergistic benefits we expect to realize from the acquisitions. These benefits include our initial entry into Chicago, Iowa, Wisconsin, Utah, Hidalgo and Tlaxcala in addition to a greater presence in the prime pawn market of Florida and the ability to further leverage our expense structure through increased scale. All stores were acquired as part of our continuing strategy to acquire pawn stores to enhance and diversify our earnings. Transaction related expenses were not material and were expensed as incurred. The results of all acquired stores have been consolidated with our results since their acquisition. The purchase price allocation of stores acquired in the most recent twelve months is preliminary as we continue to receive information regarding the acquired assets. Pro forma results of operations have not been presented because the acquisitions were not significant on either an individual or an aggregate basis, and it is not practicable to do so, as historical audited financial statements are not readily available.

**Note C: Earnings Per Share**

We compute basic earnings per share on the basis of the weighted average number of shares of common stock outstanding during the period. We compute diluted earnings per share on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and restricted stock awards.

Potential common shares are required to be excluded from the computation of diluted earnings per share if the assumed proceeds upon exercise or vest, as defined by FASB ASC 718-10-25, are greater than the cost to re-acquire the same number of shares at the average market price, and therefore the effect would be anti-dilutive.

Components of basic and diluted earnings per share and excluded anti-dilutive potential common shares are as follows:

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands, except per share amounts)</i>		
Net income (A)	\$ 122,159	\$ 97,294	\$ 68,472
Weighted average outstanding shares of common stock (B)	49,917	49,033	47,372
Dilutive effect of stock options and restricted stock	452	543	704
Weighted average common stock and common stock equivalents (C)	50,369	49,576	48,076
Basic earnings per share (A/B)	\$ 2.45	\$ 1.98	\$ 1.45
Diluted earnings per share (A/C)	\$ 2.43	\$ 1.96	\$ 1.42
Potential common shares excluded from the calculation of diluted earnings per share	2	15	124

**Note D: Strategic Investments and Fair Value of Financial Instruments**

At September 30, 2011, we owned 16,644,640 ordinary shares of Albemarle & Bond Holdings, PLC, representing almost 30% of its total outstanding shares. Our total cost for those shares was approximately \$27.6 million. Albemarle & Bond is primarily engaged in pawnbroking, retail jewelry sales, check cashing and lending in the United Kingdom. We account for the investment using the equity method. Since Albemarle & Bond's fiscal year ends three months prior to ours, we report the income from this investment on a three-month lag. Albemarle & Bond files semi-annual financial reports for its fiscal periods ending December 31 and June 30. The income reported for our fiscal year ended

September 30, 2011 represents our percentage interest in the results of Albemarle & Bond's operations from July 1, 2010 to June 30, 2011. In fiscal 2011, 2010 and 2009, we received dividends from Albemarle & Bond of \$3.2 million, \$2.3 million and \$1.6 million. Albemarle & Bond's accumulated undistributed after-tax earnings included in our consolidated retained earnings were \$23.5 million at September 30, 2011.

Conversion of Albemarle & Bond's financial statements into US Generally Accepted Accounting Principles ( GAAP ) resulted in no material differences from those reported by Albemarle & Bond following International Financial Reporting Standards ( IFRS ).



**Table of Contents**

In its functional currency of British pounds, Albemarle & Bond's total assets increased 19% from June 30, 2010 to June 30, 2011 and its net income improved 6% for the year ended June 30, 2011. Below is summarized financial information for Albemarle & Bond's most recently reported results after translation to U.S. dollars (using the exchange rate as of June 30 of each year for balance sheet items and average exchange rates for the income statement items for the periods indicated):

	As of June 30,	
	2011	2010
	<i>(In thousands)</i>	
Current assets	\$ 125,862	\$ 97,476
Non-current assets	64,325	52,325
Total assets	\$ 190,187	\$ 149,801
Current liabilities	\$ 18,620	\$ 17,898
Non-current liabilities	57,016	42,078
Shareholders' equity	114,551	89,825
Total liabilities and shareholders' equity	\$ 190,187	\$ 149,801

	Years ended June 30,		
	2011	2010	2009
	<i>(In thousands)</i>		
Gross revenues	\$ 162,002	\$ 129,794	\$ 89,712
Gross profit	97,197	84,850	68,572
Profit for the year (net income)	24,324	22,792	17,239

At September 30, 2011, the recorded balance of our investment in Albemarle & Bond, accounted for on the equity method, was \$48.4 million. Because Albemarle & Bond publicly reports its financial results only semi-annually as of June 30 and December 31, the latest Albemarle & Bond figures available are as of June 30, 2011, at which point our equity in net assets of Albemarle & Bond was \$34.4 million. The difference between the recorded balance and our equity in Albemarle & Bond's net assets represents the \$10.0 million of unamortized goodwill, plus the cumulative difference resulting from Albemarle & Bond's earnings, dividend payments and translation gains and losses since the dates of investment.

At September 30, 2011, we owned 124,418,000 shares, or approximately 33% of the total ordinary shares of Cash Converters International Limited, which is a publicly traded company headquartered in Perth, Australia. We acquired the shares between November 2009 and May 2010 for approximately \$57.8 million. Cash Converters franchises and operates a worldwide network of approximately 600 specialty financial services and retail stores that provide pawn loans, short-term unsecured loans and other consumer finance products, and buy and sell second-hand goods. Cash Converters has significant store concentrations in Australia and the United Kingdom.

We account for our investment in Cash Converters using the equity method. Since Cash Converters' fiscal year ends three months prior to ours, we report the income from this investment on a three-month lag. Cash Converters files semi-annual financial reports for its fiscal periods ending December 31 and June 30. Due to the three-month lag, income reported for our fiscal year ended September 30, 2011 represents our percentage interest in the results of cash Converters' operations from July 1, 2010 to June 30, 2011. Our results for the twelve-month period ended September 30, 2010 include our percentage interest in Cash Converters' 237 days of earnings from November 6, 2009 to June 30, 2010. This amount was estimated through daily proration of Cash Converters' reported results for the twelve months ended June 30, 2010. In fiscal 2011 and 2010, we received dividends from Cash Converters of \$4.1

and \$1.5 million. Cash Converters' accumulated undistributed after-tax earnings included in our consolidated retained earnings were \$7.3 million at September 30, 2011.

Conversion of Cash Converters' financial statements into US GAAP resulted in no material differences from those reported by Cash Converters following IFRS.

In its functional currency of Australian dollars, Cash Converters' total assets increased 18% from June 30, 2010 to June 30, 2011 and its net income improved 27% for the year ended June 30, 2011. Below is summarized financial information for

**Table of Contents**

Cash Converters most recently reported results after translation to U.S. dollars (using the exchange rate as of June 30 of each year for balance sheet items and average exchange rates for the income statement items for the periods indicated):

	As of June 30,	
	2011	2010
	<i>(In thousands)</i>	
Current assets	\$ 119,633	\$ 96,489
Non-current assets	126,811	72,408
Total assets	\$ 246,444	\$ 168,897
Current liabilities	\$ 38,235	\$ 19,179
Non-current liabilities	22,528	10,199
Shareholders' equity	185,681	139,519
Total liabilities and shareholders' equity	\$ 246,444	\$ 168,897

	Years Ended June 30,	
	2011	2010
	<i>(In thousands)</i>	
Gross revenues	\$ 184,011	\$ 111,218
Gross profit	138,997	84,296
Profit for the year (net income)	27,328	19,122

At September 30, 2011, the recorded balance of our investment in Cash Converters, accounted for on the equity method, was \$72.0 million. Because Cash Converters publicly reports its financial results only semi-annually as of June 30 and December 31, the latest Cash Converters figures available are as of June 30, 2011, at which point our equity in net assets of Cash Converters was \$60.8 million. The difference between the recorded balance and our equity in Cash Converters' net assets represents the \$15.0 million of unamortized goodwill, plus the cumulative difference resulting from Cash Converters' earnings, dividend payments and translation gains and losses since the dates of investment.

The table below summarizes the recorded value and fair value of each of these strategic investments at the dates indicated. These fair values are considered level one estimates within the fair value hierarchy of FASB ASC 820-10-50, and were calculated as (a) the quoted stock price on each company's principal market multiplied by (b) the number of shares we owned multiplied by (c) the applicable foreign currency exchange rate at the dates indicated. We included no control premium for owning a large percentage of outstanding shares.

	September 30,	
	2011	2010
	<i>(In thousands of U.S. dollars)</i>	
Albemarle & Bond:		
Recorded value	\$ 48,361	\$ 43,127
Fair value	91,741	75,520
Cash Converters:		
Recorded value	71,958	58,259

Fair value 53,600 70,005

In August 2011, legislation was proposed in Australia that would, among other things, limit the interest charged on certain consumer loans and prohibit loan extensions and refinancings. If this legislation is enacted in its currently proposed form, Cash Converters' consumer loan business in Australia may be adversely affected, which could have the effect of decreasing Cash Converters' revenues and earnings. Cash Converters has announced that it is considering a wide range of steps which it can implement to reduce the potential adverse impact if the proposed legislation is enacted and that it believes it may be able to substantially reduce the adverse effects. As of September 30, 2011, the fair value of our investment in Cash Converters (based on the market price of Cash Converters stock as of that date) was below our recorded value. In light of Cash Converters' statements regarding its ability to mitigate the potential impact of the proposed legislation, we consider this loss in value to be temporary.

**Table of Contents**

Included in Other Assets, net on our balance sheets are available for sale securities with a fair value of \$5.4 million at September 30, 2011 and \$4.9 million at September 30, 2010. This is considered to be a level one measurement of fair value as it is based on the ending market price for the securities at that date, as quoted on an active public securities exchange.

**Note E: Property and Equipment**

Major classifications of property and equipment were as follows:

	2011		September 30,		2010	
	Carrying Amount	Accumulated Depreciation	Net Book Value	Carrying Amount	Accumulated Depreciation	Net Book Value
			<i>(In thousands)</i>			
Land	\$ 4	\$	\$ 4	\$	\$	\$
Buildings and improvements	88,263	(53,094)	35,169	78,997	(47,851)	31,146
Furniture and equipment	85,654	(52,562)	33,092	70,419	(44,209)	26,210
Software	28,653	(23,238)	5,415	25,128	(21,871)	3,257
Construction in progress	4,818		4,818	1,680		1,680
Total	\$ 207,392	\$ (128,894)	\$ 78,498	\$ 176,224	\$ (113,931)	\$ 62,293

Depreciation expense for fiscal 2011, 2010 and 2009 was \$17.5 million, \$14.0 million and \$12.3 million. Included in these amounts for fiscal 2011, 2010 and 2009 is \$1.4 million, \$0.9 million and \$1.0 million of depreciation expense related to capitalized computer software.

**Note F: Goodwill and Other Intangible Assets**

The following table presents the balance of each major class of indefinite-lived intangible asset at the specified dates:

	September 30,	
	2011	2010
	<i>(In thousands)</i>	
Pawn licenses	\$ 8,836	\$ 8,836
Trade name	4,870	4,870
Goodwill	173,206	117,305
Total	\$ 186,912	\$ 131,011

The following table presents the changes in the carrying value of goodwill, by segment, for the fiscal years ended September 30, 2011 and 2010:

	U.S. Pawn Operations	Empeño Fácil	EZMONEY Operations	Consolidated
	<i>(In thousands)</i>			
Balance at September 30, 2009	\$ 94,192	\$ 6,527	\$	\$ 100,719
Acquisitions	15,871			15,871
Post-closing purchase price allocation adjustments for prior year acquisitions	192			192
Effect of foreign currency translation changes		523		523

Edgar Filing: EZCORP INC - Form 10-K

Balance at September 30, 2010	110,255	7,050		117,305
Acquisitions	53,642	3,148		56,790
Effect of foreign currency translation changes		(889)		(889)
Balance at September 30, 2011	\$ 163,897	\$ 9,309	\$	\$ 173,206



	September 30,	
	2011	2010
	<i>(In thousands)</i>	
Trade accounts payable	\$ 9,949	\$ 9,135
Accrued payroll and related expenses	22,326	20,838
Accrued interest	13	94
Accrued rent and property taxes	10,728	9,121
Accrual for expected losses on credit service letters of credit	1,795	1,699
Collected funds payable to unaffiliated lenders under credit service programs	1,705	823
Other accrued expenses	10,884	7,953
	\$ 57,400	\$ 49,663



**Table of Contents****Note H: Long-Term Debt**

On May 10, 2011, we entered into a new senior secured credit agreement with a syndicate of five banks, replacing our previous credit agreement. Among other things, the new credit agreement provides for a four year \$175 million revolving credit facility that we may, under the terms of the agreement, request to be increased to a total of \$225 million. Upon entering the new credit agreement, we repaid and retired our \$17.5 million outstanding debt. The new credit facility increases our available credit and provides greater flexibility to make investments and acquisitions both domestically and internationally.

Pursuant to the credit agreement, we may choose to pay interest to the lenders for outstanding borrowings at LIBOR plus 200 to 275 basis points or the bank's base rate plus 100 to 175 basis points, depending on our leverage ratio computed at the end of each calendar quarter. On the unused amount of the credit facility, we pay a commitment fee of 37.5 to 50 basis points depending on our leverage ratio calculated at the end of each quarter. From the closing date to approximately October 31, 2011, we paid a minimum interest rate of LIBOR plus 250 basis points or the bank's base rate plus 150 basis points, at our option, and a commitment fee of 50 basis points on the unused portion of the credit line. Terms of the credit agreement require, among other things, that we meet certain financial covenants. At September 30, 2011, we were in compliance with all covenants. We expect the recorded value of our debt to approximate its fair value as it is all variable rate debt and carries no pre-payment penalty.

At September 30, 2011, \$17.5 million was outstanding under our revolving credit agreement. We also issued \$5.0 million of bank letters of credit, leaving \$152.5 million available on our revolving credit facility. The outstanding bank letters of credit secure our obligations under letters of credit we issue to unaffiliated lenders as part of our credit service operations.

In connection with the credit agreement we expensed \$0.1 million of unamortized deferred financing costs related to our former credit agreement and recorded approximately \$2.3 million deferred financing costs related to our new facility. These costs are included in intangible assets, net on the balance sheet and are being amortized to interest expense over their four-year estimated useful life.

**Note I: Common Stock, Options, and Stock Compensation**

Our capital stock consists of two classes of common stock designated as Class A Non-voting Common Stock ( Class A Common Stock ) and Class B Voting Common Stock ( Class B Common Stock ). The rights, preferences and privileges of the Class A and Class B Common Stock are similar except that each share of Class B Common Stock has one vote and each share of Class A Common Stock has no voting privileges. All Class A Common Stock is publicly held. Holders of Class B Common Stock may, individually or as a class, convert some or all of their shares into Class A Common Stock on a one-to-one basis. Class A Common Stock becomes voting common stock upon the conversion of all Class B Common Stock to Class A Common Stock. We are required to reserve the number of authorized but unissued shares of Class A Common Stock that would be issuable upon conversion of all outstanding shares of Class B Common Stock.

The following table presents information on newly registered shares of our Class A Common Stock issued as acquisition consideration:

	Fiscal Years Ended September 30,		
	2011	2010	2009
Shares issued due to acquisitions	208,763		5,174,900

We account for stock compensation in accordance with the fair value recognition and measurement provisions of FASB ASC 718-10-25 (Compensation-Stock Compensation). Compensation cost recognized includes compensation cost for all unvested stock compensation payments, based on the closing market price of our stock on the date of grant. We amortize the fair value of grants to compensation expense on a ratable basis over the vesting period for both cliff vesting and pro-rata vesting grants. We have not granted any stock options since fiscal 2007.

**Table of Contents**

Our net income includes the following compensation costs related to our stock compensation arrangements:

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands)</i>		
Gross compensation costs			
Stock options	\$	\$ 4	\$ 63
Restricted stock	13,208	4,508	3,638
Total gross compensation costs	13,208	4,512	3,701
Income tax benefits			
Stock options	(1)	(56)	(32)
Restricted stock	(4,508)	(1,517)	(1,208)
Total income tax benefits	(4,509)	(1,573)	(1,240)
Net compensation expense	\$ 8,699	\$ 2,939	\$ 2,461

All options and restricted stock relate to our Class A Common Stock.

Our non-employee directors have been granted restricted stock awards and non-qualified stock options that vest in one to two years from grant, with the options expiring in ten years. Restricted stock awards, non-qualified options and incentive stock options have been granted to our officers and employees under our 1998, 2003, 2006 and 2010 Incentive Plans. Most options have a contractual life of ten years and provide for pro-rata vesting over five years, but some provide for cliff vesting. Outstanding options have been granted with strike prices ranging from \$0.86 per share to \$4.05 per share. These were granted at or above the market price at the time of grant, and had no intrinsic value on the grant date.

On May 1, 2010 our Board of Directors approved the adoption of the EZCORP, Inc. 2010 Long-Term Incentive Plan (the 2010 Plan ). The 2010 Plan permits grants of options, restricted stock awards ( RSAs ) and stock appreciation rights covering up to 1,575,750 shares of our Class A Common Stock, including 75,750 shares that remained available for issuance under the previous plan. Awards that expire or are canceled without delivery of shares under the 2010 Incentive Plan generally become available for issuance in new grants. We generally issue new shares to satisfy stock option exercises, but used 10,000 treasury shares to satisfy one option exercise in fiscal 2009. We no longer hold any treasury shares. At September 30, 2011, 779,750 shares were available for grant under the 2010 Plan.

We measure the fair value of RSAs based upon the closing market price of our common stock as of the grant date. A summary of the RSA activity as follows:

	Fiscal Year Ended September 30,	
	2011	
	Shares	Weighted Average Grant Date Fair Value
Outstanding at beginning of year	1,781,250	\$ 13.50
Granted	868,500	20.34
Released	(1,035,250)	13.08
Forfeited	(79,500)	16.61

Outstanding at end of year	1,535,000	\$	17.49
	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In millions except per share amounts)</i>		
Weighted average grant-date fair value per share of RSAs granted	\$ 20.34	\$ 14.64	\$ 17.51
Total grant date fair value of RSAs vested	\$ 13.5	\$ 0.2	\$ 4.8

68

---

**Table of Contents**

At September 30, 2011, the unamortized fair value of RSAs to be amortized over their remaining vesting periods was approximately \$20.8 million and the fair value of all options had been fully amortized to expense. The weighted average period over which these costs will be amortized is four years.

A summary of the option activity for the current fiscal year follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term ( <i>In years</i> )	Aggregate Intrinsic Value ( <i>In thousands</i> )
Outstanding at September 30, 2010	293,398	\$ 3.81		
Granted				
Forfeited				
Expired	(8,400)	1.48		
Exercised	(62,600)	6.57		
Outstanding at September 30, 2011	222,398	\$ 3.12	2.37	\$ 5,652
Vested and expected to vest	222,398	\$ 3.12	2.37	\$ 5,652
Vested at September 30, 2011	222,398	\$ 3.12	2.37	\$ 5,652

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In millions except share amounts)</i>		
Shares issued due to stock option exercises	62,173	494,202	1,528,048
Proceeds due to stock option exercises	\$ 0.4	\$ 1.6	\$ 4.9
Tax benefit from stock option exercises	\$ 0.2	\$ 2.1	\$ 1.4
Intrinsic value of stock options exercised	\$ 1.5	\$ 7.7	\$ 15.5

**Note J: Income Taxes**

Significant components of the income tax provision are as follows:

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands)</i>		
Current			
Federal	\$ 50,148	\$ 54,931	\$ 38,898
State and foreign	2,728	2,172	1,519
	52,876	57,103	40,417
Deferred			
Federal	13,408	(2,811)	(3,516)
State and foreign	268	(56)	(61)
	13,676	(2,867)	(3,577)
	\$ 66,552	\$ 54,236	\$ 36,840



**Table of Contents**

A reconciliation of income taxes calculated at the statutory rate and the provision for income taxes attributable to continuing operations is as follows:

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands)</i>		
Income taxes at the federal statutory rate	\$ 66,049	\$ 53,035	\$ 36,859
Non-deductible expense related to incentive stock options		1	112
State income tax, net of federal benefit	2,728	2,172	1,519
Change in valuation allowance	1,425	1,273	157
Federal tax credits	(167)	(134)	(181)
Foreign tax credit	(4,356)	(2,849)	(1,228)
Other	873	738	(398)
Total provision	\$ 66,552	\$ 54,236	\$ 36,840
Effective Tax Rate	35.3%	35.8%	35.0%

The decrease in the fiscal 2011 effective tax rate is due primarily to an increase in foreign tax credits, partly offset by a valuation allowance established on our foreign net operating losses during the start-up phase of operations in Canada. If we are able to generate taxable income in Canada in future years, this valuation allowance may then be reversed and the related deferred tax assets realized. Taking into account all the above factors and our expectations, we estimate our effective tax rate in the year ending September 30, 2012 will be approximately 35.2%.

Significant components of our deferred tax assets and liabilities as of September 30 are as follows *(in thousands)*:

	September 30,	
	2011	2010
	<i>(In thousands)</i>	
Deferred tax assets:		
Book over tax depreciation	\$ 1,001	\$ 3,894
Tax over book inventory	3,457	9,836
Accrued liabilities	12,220	11,041
Pawn service charges receivable	3,775	3,552
Stock compensation		2,838
Net operating loss carry-forward on foreign operations	1,425	1,273
Total deferred tax assets	21,878	32,434
Deferred tax liabilities:		
Tax over book amortization	6,605	5,122
Foreign income and dividends	2,932	2,163
Stock compensation	194	
Prepaid expenses	928	608
Total deferred tax liabilities	10,659	7,893
Net deferred tax asset	11,219	24,541

Valuation allowance	(1,425)	(1,273)
Net deferred tax asset	\$ 9,794	\$ 23,268

Substantially all of our operating income was generated from U.S. operations during 2010 and 2011, and we have elected to have our Mexican operations treated as a foreign branch of a U.S. subsidiary for U.S. income tax purposes. At September 30, 2011 and 2010, we provided deferred income taxes on all undistributed earnings from Albemarle & Bond, and received dividends of approximately \$3.2 million and \$2.3 million. At September 30, 2011 and 2010, we provided deferred income taxes on all undistributed earnings from Cash Converters, and received dividends of approximately \$4.1 million and \$1.5 million. Any taxes paid to foreign governments on these earnings may be used in whole or in part as credits against the U.S. tax on any dividends distributed from such earnings.

**Table of Contents**

Under FASB ASC 740-10-25 ( Accounting for Uncertainty in Income Taxes ), a tax position must be more-likely-than-not to be sustained upon examination, based on the technical merits of the position to be recognized in the financial statements. In making the determination of sustainability, we must presume the appropriate taxing authority with full knowledge of all relevant information will examine tax positions. FASB ASC 740-10-25 also prescribes how the benefit should be measured, including the consideration of any penalties and interest. It requires that the standard be applied to the balances of tax assets and liabilities as of the beginning of the period of adoption and that a corresponding adjustment be made to the opening balance of equity. As a result of the adoption of FASB ASC 740-10-25, we recognized a \$106,000 liability, including \$8,600 of penalties and interest, for unrecognized state income tax benefits net of federal taxes, and recorded this as a cumulative adjustment to our beginning retained earnings at October 1, 2007. We recorded an additional \$380,000 uncertain tax position in fiscal 2008, and reversed it in fiscal 2009 due to a change in accounting method for tax purposes.

We recognize interest and penalties related to unrecognized tax benefits as federal income tax expense on our statement of operations.

Below is a reconciliation of the beginning and ending unrecognized tax benefits for the periods since adoption of FASB ASC 740-10-25 (*in thousands*):

Unrecognized tax benefits at September 30, 2008	\$ 486
Reduction based on prior year tax positions	(380)
Additions based on current year tax positions	
Reductions based on settlements with taxing authorities	
Reductions due to lapse in statute of limitations	
Unrecognized tax benefits at September 30, 2009	106
Reduction based on prior year tax positions	
Additions based on current year tax positions	
Reductions based on settlements with taxing authorities	
Reductions due to lapse in statute of limitations	(55)
Unrecognized tax benefits at September 30, 2010	51
Reduction based on prior year tax positions	
Additions based on current year tax positions	
Reductions based on settlements with taxing authorities	
Reductions due to lapse in statute of limitations	(51)
Unrecognized tax benefits at September 30, 2011	\$

We are subject to U.S., Mexican, and Canadian income taxes as well as to income taxes levied by various state and local jurisdictions. With few exceptions, we are no longer subject to examinations by tax authorities for years before the tax year ended September 30, 2007.

**Note K: Related Party Transactions**

Effective October 1, 2010, 2009 and 2008, we entered one-year financial advisory services agreements with Madison Park, LLC, a business and financial advisory firm wholly-owned by Phillip E. Cohen, the beneficial owner of all of our outstanding Class B Common Stock. Either party could terminate the agreements at any time on thirty days written notice, but neither party elected to do so. The agreements required Madison Park to provide advice on our business and long-term strategic plan, including acquisitions and strategic alliances, operating and strategic objectives, investor relations, relations with investment bankers and other members of the financial services industry, international business development and strategic investment opportunities, and financial matters. The monthly fee for the services was \$400,000 in fiscal 2011, \$300,000 in fiscal 2010 and \$200,000 in fiscal 2009. Total payments to Madison Park were \$4.8 million in fiscal 2011, \$3.6 million in fiscal 2010 and \$2.4 million in fiscal 2009.



Effective October 1, 2011, we entered into a new financial advisory services agreement with Madison Park with a one-year term that expires September 30, 2012. The terms of the agreement are substantially the same as those in the fiscal 2011 agreement described above, except the monthly fee is \$500,000.

Prior to approval of the Madison Park agreement and pursuant to our Policy for Review and Evaluation of Related Party Transactions, the Audit Committee of our Board of Directors implemented measures designed to ensure that the advisory services agreement with Madison Park was considered, analyzed, negotiated and approved objectively.

Those measures

**Table of Contents**

included the engagement of an independent financial advisory firm to counsel and advise the committee in the course of its consideration and evaluation of the Madison Park relationship and the proposed terms of the new advisory services agreement and the receipt of a fairness opinion with respect to the fee to be paid to Madison Park.

After consideration and discussion of a number of factors, the information and fairness opinion provided by its independent financial advisory firm, and the relationships and the interests of Mr. Cohen, the Audit Committee concluded that the advisory services agreement was fair to, and in the best interests of, the company and its stockholders and, on that basis, approved the engagement of Madison Park pursuant to the advisory services agreement.

**Note L: Leases**

We lease various facilities and certain equipment under operating leases. We also sublease some of the above facilities. Future minimum rentals due under non-cancelable leases and annual future minimum rentals expected under subleases are as follows:

	Fiscal Years Ended September 30,	
	Lease Payments	Sublease Revenue
	<i>(In thousands)</i>	
2012	\$ 45,181	\$ 226
2013	39,243	161
2014	30,001	111
2015	22,171	12
2016	13,874	
Thereafter	19,731	
	\$ 170,201	\$ 510

After an initial lease term of generally three to ten years, our lease agreements typically allow renewals in three to five-year increments. Our lease agreements generally include rent escalations throughout the initial lease term. Rent escalations are included in the above numbers. For financial reporting purposes, the aggregate rentals over the lease term, including lease renewal options that are reasonably assured, are expensed on a straight-line basis.

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands)</i>		
Gross rent expense	\$ 46,710	\$ 39,394	\$ 35,005
Sublease rent revenue	(141)	(132)	(81)
Net rent expense	\$ 46,569	\$ 39,262	\$ 34,924

Prior to fiscal 2008, we completed several sale-leaseback transactions of previously owned facilities. Losses on sales were recognized immediately, and gains were deferred and are being amortized as a reduction of lease expense over the terms of the related leases. The remaining unamortized long-term portion of these deferred gains, amounting to \$2.1 million at September 30, 2011, is included in *Deferred gains and other long-term liabilities* in our consolidated balance sheet. The short-term portion, included in *Accounts payable and other accrued expenses* was \$0.4 million at September 30, 2011. Future rentals on these sale-leasebacks are included in the above schedule of future minimum rentals. Terms of these leases are consistent with the terms on our other lease agreements.

**Note M: Employment Agreements**

Effective January 1, 2009, we entered into an Employment and Compensation Agreement with Joseph L. Rotunda, who was our Chief Executive Officer at the time. That agreement expired on October 8, 2010, and Mr. Rotunda retired from his positions as Chief Executive Officer and a member of the Board of Directors on October 31, 2010. The agreement provided Mr. Rotunda with certain severance and termination benefits if he served the full term of the agreement (through October 8, 2010). These benefits included (1) a cash payment in an amount equal to one year's base salary plus his most recent annual incentive bonus award (total of approximately \$3.4 million, payable on January 7, 2011) and (2) a five-year consulting

**Table of Contents**

agreement that provides for the following: an annual consulting fee of \$500,000; an annual incentive bonus with a target amount equal to 50% of the annual fee and a maximum amount equal to 100% of the annual fee; and reimbursement of reasonable business expenses. The company has also agreed to continue the healthcare benefits for Mr. Rotunda during the term of the consulting agreement. If the consulting agreement is terminated by reason of Mr. Rotunda's death or disability, he will be entitled to payment of an amount equal to one year's annual consulting fee plus one year of incentive bonus (calculated at the target amount) and continuation of healthcare benefits for Mr. Rotunda and/or his spouse (as applicable) for one year. In addition, if the company terminates the consulting agreement (other than due to a material breach by Mr. Rotunda) or Mr. Rotunda terminates the consulting agreement because of a material breach by the company, then the company will pay Mr. Rotunda an amount of cash equal to all annual consulting fees that would have been payable to Mr. Rotunda had the agreement continued until the expiration of the five-year term, plus an additional \$500,000 in lieu of subsequent annual incentive bonuses, and shall continue to provide the healthcare benefits for Mr. Rotunda until the expiration of the five-year term.

On October 8, 2010, the Board of Directors, acting pursuant to the terms of the applicable restricted stock award agreement and with the recommendation of the Compensation Committee, determined that Mr. Rotunda had satisfied the specified conditions for the accelerated vesting of all his unvested restricted stock (having served the full term of his employment agreement and successfully implemented a transition plan to a new Chief Executive Officer) and approved the vesting of the remaining 756,000 unvested shares on October 31, 2010, the effective date of Mr. Rotunda's retirement.

On August 3, 2009, we entered into an employment agreement with Paul E. Rothamel, who became President in February 2010 and Chief Executive Officer on November 1, 2010. The agreement provides for certain benefits (principally, a payment equal to one year of then-current base salary) if (a) Mr. Rothamel terminates his employment for good reason (including a change in control), (b) we terminate Mr. Rothamel's employment without cause, or (c) Mr. Rothamel dies or becomes totally and permanently disabled during his active employment. Mr. Rothamel is subject to confidentiality obligations and, for a period of two years following the termination of his employment, is prohibited from competing with us, soliciting our customers or soliciting our employees. The agreement had an initial term of two years, which expired on August 3, 2011, but under its terms, has been renewed for an additional one-year term and will continue to be renewed for successive one-year terms unless either party gives 90-days' notice to terminate.

The company provides the following additional severance or change-in-control benefits to its executive officers:

The terms of employment for certain of our executive officers provide that the executive officer will receive salary continuation for one year if his or her employment is terminated by the company without cause.

Sterling B. Brinkley, Chairman of the Board, received a restricted stock award on October 2, 2006 that provides for accelerated vesting of some or all of the unvested shares under certain circumstances, including death or disability, failure to be re-elected to his current position or termination of employment without cause.

Generally, restricted stock awards, including those granted to the executive officers, provide for accelerated vesting of some or all of the unvested shares in the event of the holder's death or disability.

**Note N: Retirement Plans**

We sponsor a 401(k) retirement savings plan under which eligible employees may contribute a portion of pre-tax earnings. In our sole discretion, we may match employee contributions in the form of our Class A Common Stock. A participant vests in the matching contributions pro rata over their first four years of service and is 100% vested in all matching contributions after four years of service.

The following table presents matching contribution information to our 401(k) Plan:

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands)</i>		
Matching contributions to EZCORP 401(k) Plan	\$ 377	\$ 260	\$ 178

Matching contributions to Value Financial Services 401(k) Plan			97
Total Matching contributions	\$ 377	\$ 260	\$ 275

**Table of Contents**

We also provide a non-qualified Supplemental Executive Retirement Plan for selected executives. Funds in the Supplemental Executive Retirement Plan vest over three years from the grant date, with one-third vesting each year. All of a participant's Supplemental Executive Retirement Plan funds from all grants vest 100% in the event of the participant's death or disability or the termination of the plan due to a change in control. In addition, the Supplemental Executive Retirement Plan funds are 100% vested when a participant attains his or her normal retirement age (60 years old and five years of active service) while actively employed by us. Expense of contributions to the Supplemental Executive Retirement Plan is recognized based on the vesting schedule.

The following table provides contribution and amortized expense amounts related to the Supplemental Executive Retirement Plan:

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands)</i>		
Contributions to the Supplemental Executive Retirement Plan	\$ 701	\$ 746	\$ 579
Amortized expense due to Supplemental Executive Retirement Plan	\$ 526	\$ 562	\$ 463

**Note O: Contingencies**

Currently and from time to time, we are defendants in various legal and regulatory actions. While we cannot determine the ultimate outcome of these actions, we believe their resolution will not have a material adverse effect on our financial condition, results of operations or liquidity. However, we cannot give any assurance as to their ultimate outcome.

**Note P: Quarterly Information (Unaudited)**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	<i>(In thousands, except per share amounts)</i>			
<b>Year Ended September 30, 2011</b>				
Total revenues	\$ 218,826	\$ 213,254	\$ 203,152	\$ 234,085
Net revenues	134,232	130,950	122,997	146,759
Net income	27,429	31,838	26,527	36,365
Earnings per common share:				
Basic	\$ 0.55	\$ 0.64	\$ 0.53	\$ 0.73
Diluted	\$ 0.55	\$ 0.63	\$ 0.53	\$ 0.72
<b>Year Ended September 30, 2010</b>				
Total revenues	\$ 184,751	\$ 176,584	\$ 173,542	\$ 198,168
Net revenues	112,931	109,705	104,804	120,039
Net income	25,707	23,773	19,962	27,852
Earnings per common share:				
Basic	\$ 0.53	\$ 0.49	\$ 0.41	\$ 0.57
Diluted	\$ 0.52	\$ 0.48	\$ 0.40	\$ 0.56

**Note Q: Comprehensive Income**

The table below presents the tax benefit (provision) of each component of comprehensive income:

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands)</i>		
Foreign currency translation tax benefit / (provision)	\$ (5,369)	\$ 1,918	\$ 1,598

Edgar Filing: EZCORP INC - Form 10-K

Available for sale securities tax benefit / (provision)	(325)		
Total tax benefit / (provision)	\$ (5,694)	\$ 1,918	\$ 1,598

**Table of Contents****Note R: Operating Segment Information**

We manage our business and internal reporting as three reportable segments with operating results reported separately for each segment.

The U.S. Pawn Operations segment offers pawn related activities in our 433 U.S. pawn stores, offers signature loans in 43 pawn stores and six EZMONEY stores and offers auto title loans in 44 pawn stores.

The Empeño Fácil segment offers pawn related activities in 178 Mexico pawn stores.

The EZMONEY Operations segment offers signature loans in 430 U.S. and 64 Canadian financial services stores. The segment offers auto title loans in 397 of its U.S. stores and buys and sells second-hand goods 15 of its Canadian stores.

There are no inter-segment revenues, and the amounts below were determined in accordance with the same accounting principles used in our consolidated financial statements. The following tables present operating segment information:

	U.S. Pawn Operations	Empeño Fácil	EZMONEY Operations	Consolidated
	<i>(In thousands)</i>			
<b>Year Ended September 30, 2011:</b>				
Revenues:				
Merchandise Sales	\$ 256,643	\$ 25,237	\$ 203	\$ 282,083
Jewelry Scrapping Sales	195,276	15,997	1,206	212,479
Pawn service charges	184,234	16,901		201,135
Signature loan fees	2,501		147,749	150,250
Auto title loan fees	1,539		20,162	21,701
Other	634	122	913	1,669
Total revenues	640,827	58,257	170,233	869,317
Merchandise cost of goods sold	147,239	14,672	149	162,060
Jewelry scrapping cost of goods sold	120,767	12,205	588	133,560
Signature loan bad debt	923		35,405	36,328
Auto title loan bad debt	165		2,266	2,431
Net revenues	371,733	31,380	131,825	534,938
Operations expense	177,191	20,636	69,225	267,052
Store operating income	\$ 194,542	\$ 10,744	\$ 62,600	\$ 267,886



**Table of Contents**

	U.S. Pawn Operations	Empeño Fácil	EZMONEY Operations	Consolidated
	<i>(In thousands)</i>			
<b>Year Ended September 30, 2010:</b>				
Revenues:				
Merchandise Sales	\$ 226,424	\$ 14,030	\$	\$ 240,454
Jewelry scrapping Sales	163,667	7,389	355	171,411
Pawn service charges	154,505	9,190		163,695
Signature loan fees	1,930		137,385	139,315
Auto title loan fees	1,659		16,048	17,707
Other	442		21	463
<b>Total revenues</b>	<b>548,627</b>	<b>30,609</b>	<b>153,809</b>	<b>733,045</b>
Merchandise cost of goods sold	131,825	8,459		140,284
Jewelry scrapping cost of goods sold	104,531	6,137	170	110,838
Signature loan bad debt	641		31,068	31,709
Auto title loan bad debt	236		2,499	2,735
<b>Net revenues</b>	<b>311,394</b>	<b>16,013</b>	<b>120,072</b>	<b>447,479</b>
Operations expense	161,145	11,658	63,861	236,664
<b>Store operating income</b>	<b>\$ 150,249</b>	<b>\$ 4,355</b>	<b>\$ 56,211</b>	<b>\$ 210,815</b>
<b>Year Ended September 30, 2009:</b>				
Revenues:				
Merchandise Sales	\$ 202,250	\$ 8,751	\$	\$ 211,001
Jewelry scrap Sales	117,013	1,900	9	118,922
Pawn service charges	124,396	5,773		130,169
Signature loan fees	2,293		131,051	133,344
Auto title loan fees	1,313		2,276	3,589
Other	431			431
<b>Total revenues</b>	<b>447,696</b>	<b>16,424</b>	<b>133,336</b>	<b>597,456</b>
Merchandise cost of goods sold	121,170	5,392		126,562
Jewelry scraping cost of goods sold	75,744	1,277	6	77,027
Signature loan bad debt	828		32,725	33,553
Auto title loan bad debt	124		256	380
<b>Net revenues</b>	<b>249,830</b>	<b>9,755</b>	<b>100,349</b>	<b>359,934</b>
Operations expense	140,525	5,833	59,879	206,237
<b>Store operating income</b>	<b>\$ 109,305</b>	<b>\$ 3,922</b>	<b>\$ 40,470</b>	<b>\$ 153,697</b>

Edgar Filing: EZCORP INC - Form 10-K

The following table reconciles store operating income, as shown above, to our consolidated income before income taxes:

	Fiscal Years Ended September 30,		
	2011	2010	2009
		<i>(In thousands)</i>	
Consolidated store operating income	\$ 267,886	\$ 210,815	\$ 153,697
Administrative expenses	75,270	52,740	40,497
Depreciation and amortization	18,344	14,661	12,746
(Gain) / loss on sale or disposal of assets	309	1,528	(1,024)
Interest income	(37)	(186)	(281)
Interest expense	1,690	1,385	1,425
Equity in net income of unconsolidated affiliates	(16,237)	(10,750)	(5,016)
Other	(164)	(93)	38
Consolidated income before income taxes	\$ 188,711	\$ 151,530	\$ 105,312

**Table of Contents**

The following table presents separately identified segment assets:

	U.S. Pawn Operations	Empeño Fácil	EZMONEY Operations	Consolidated
	<i>(In thousands)</i>			
<b>Assets at September 30, 2011:</b>				
Pawn loans	\$ 134,457	\$ 10,861	\$	\$ 145,318
Signature loans, net	990		10,399	11,389
Auto title loans, net	930		2,292	3,222
Service charges and fees receivable, net	25,148	1,663	6,419	33,230
Inventory, net	81,257	8,514	602	90,373
Goodwill	163,897	9,309		173,206
<b>Total separately identified recorded segment assets</b>	<b>\$ 406,679</b>	<b>\$ 30,347</b>	<b>\$ 19,712</b>	<b>\$ 456,738</b>
Brokered signature loans outstanding from unaffiliated lenders	\$ 206	\$	\$ 20,767	\$ 20,973
Brokered auto title loans outstanding from unaffiliated lenders	\$ 175	\$	\$ 5,892	\$ 6,067
<b>Assets at September 30, 2010:</b>				
Pawn loans	\$ 113,944	\$ 7,257	\$	\$ 121,201
Signature loans, net	456		10,319	10,775
Auto title loans, net	651		2,494	3,145
Service charges and fees receivable, net	20,830	1,053	7,177	29,060
Inventory, net	66,542	4,935	25	71,502
Goodwill	110,255	7,050		117,305
<b>Total separately identified recorded segment assets</b>	<b>\$ 312,678</b>	<b>\$ 20,295</b>	<b>\$ 20,015</b>	<b>\$ 352,988</b>
Brokered signature loans outstanding from unaffiliated lenders	\$ 231	\$	\$ 22,709	\$ 22,940
Brokered auto title loans outstanding from unaffiliated lenders	\$ 236	\$	\$ 6,589	\$ 6,825
<b>Assets at September 30, 2009:</b>				
Pawn loans	\$ 98,099	\$ 3,585	\$	\$ 101,684
Signature loans, net	453		7,904	8,357
Auto title loans, net	685		978	1,663
Service charges and fees receivable, net	17,910	513	5,892	24,315
Inventory, net	61,196	2,804	1	64,001
Goodwill	94,192	6,527		100,719
<b>Total separately identified recorded segment assets</b>	<b>\$ 272,535</b>	<b>\$ 13,429</b>	<b>\$ 14,775</b>	<b>\$ 300,739</b>
	\$ 278	\$	\$ 22,706	\$ 22,984

Brokered signature loans outstanding from unaffiliated lenders

Brokered auto title loans outstanding from unaffiliated lenders

\$ 276      \$ 1,910      \$ 2,186

Brokered loans are not recorded as an asset on our balance sheet, as we do not own a participation in the loans made by unaffiliated lenders. We monitor the principal balance of these loans, as our credit service fees and bad debt are directly related to their volume due to the letters of credit we issue on these loans. The balance shown above is the gross principal balance of the loans outstanding.

The following table reconciles separately identified recorded segment assets, as shown above, to our consolidated total assets:

	2011	September 30, 2010	2009
		<i>(In thousands)</i>	
Total separately identified recorded segment assets	\$ 456,738	\$ 352,988	\$ 300,739
Corporate assets	299,712	253,424	191,778
Total assets	\$ 756,450	\$ 606,412	\$ 492,517

**Table of Contents****Note S: Allowance for Losses and Credit Quality of Financing Receivables**

We offer a variety of loan products and credit services to customers who do not have cash resources or access to credit to meet their short-term cash needs. Our customers are considered to be in a higher risk pool with regard to creditworthiness when compared to those of typical financial institutions. As a result, our receivables do not have a credit risk profile that can easily be measured by the normal credit quality indicators used by the financial markets. We manage the risk through closely monitoring the performance of the portfolio and through our underwriting process. This process includes review of customer information, such as making a credit reporting agency inquiry, evaluating and verifying income sources and levels, verifying employment and verifying a telephone number where customers may be contacted. For auto title loans, we additionally inspect the automobile, title and reference to market values of used automobiles.

As described in Note A, Significant Accounting Policies, we consider a signature loan defaulted if it has not been repaid or renewed by the maturity date. If one payment of an installment loan is delinquent, that one payment is considered defaulted. If more than one installment payment is delinquent at any time, the entire installment loan is considered defaulted. Although defaulted loans may be collected later, we charge the loan principal to signature loan bad debt upon default, leaving only active loans in the reported balance. Accrued fees related to defaulted loans reduce fee revenue upon loan default, and increase fee revenue upon collection. Based on historical collection experience, the age of past-due loans and amounts we expect to receive through the sale of repossessed vehicles, we provide an allowance for losses on auto title loans.

The accuracy of our allowance estimates is dependent upon several factors, including our ability to predict future default rates based on historical trends and expected future events. We base our estimates on observable trends and various other assumptions that we believe to be reasonable under the circumstances.

The following table presents changes in the allowance for credit losses as well as the recorded investment in our financing receivables by portfolio segment for the periods presented (*in thousands*):

Description	Allowance				Allowance		Financing Receivable End of Period
	Balance at Beginning of Period	Charge-offs	Recoveries	Provision	Balance at End of Period	Period	
<b>Allowance for losses on signature loans:</b>							
Year ended September 30, 2011	\$ 750	\$ (18,043)	\$ 6,349	\$ 12,671	\$ 1,727	\$ 13,116	
Year ended September 30, 2010	532	(14,807)	5,757	9,268	750	11,525	
Year ended September 30, 2009	580	(14,456)	5,571	8,837	532	8,889	
<b>Allowance for losses on auto title loans:</b>							
Year ended September 30, 2011	\$ 1,137	\$ (12,616)	\$ 10,074	\$ 1,943	\$ 538	\$ 3,760	
Year ended September 30, 2010	291	(9,240)	7,425	2,661	1,137	4,282	
Year ended September 30, 2009		(2,478)	2,387	382	291	1,954	

The provision presented in the table above includes only principal and excludes items such as NSF fees, late fees, repossession fees, auction fees and interest. In addition, all credit service expenses and fees related to loans made by our unaffiliated lenders are excluded, as we do not own the loans made in connection with our credit services and they are not recorded as assets on our balance sheet. Expected losses on credit services are accrued and reported in

Accounts payable and other accrued expenses on our balance sheets.

Auto title loans are our only loans that remain as recorded investments when in delinquent/nonaccrual status. We consider an auto title loan past due if it has not been repaid or renewed by the maturity date. Based on experience, we establish a reserve on all auto title loans. On auto title loans more than 90 days past due, we reserve the percentage we estimate will not be recoverable through auction and reserve 100% of loans for which we have not yet repossessed the underlying collateral. No fees are accrued on any auto title loans more than 90 days past due.



**Table of Contents**

The following table presents an aging analysis of past due financing receivables by portfolio segment:

	Days Past Due				Total Past Due	Current Receivable	Total Financing Receivable	Recorded Investment > 90 Days & Accruing
	1-30	31-60	61-90	>90				
September 30, 2011								
Auto title loans	\$ 840	\$ 479	\$ 283	\$ 219	\$ 1,821	\$ 1,939	\$ 3,760	\$
Reserve	\$ 117	\$ 114	\$ 67	\$ 172	\$ 470	\$ 68	\$ 538	\$
Reserve %	14%	24%	24%	79%	26%	4%	14%	
September 30, 2010								
Auto title loans	\$ 796	\$ 552	\$ 432	\$ 532	\$ 2,312	\$ 1,970	\$ 4,282	\$
Reserve	\$ 188	\$ 229	\$ 256	\$ 367	\$ 1,040	\$ 97	\$ 1,137	\$
Reserve %	24%	41%	59%	69%	45%	5%	27%	

**Note T: Supplemental Consolidated Financial Information****Supplemental Consolidated Statements of Financial Position Information**

The following table provides information on amounts included in accounts receivable, net and inventories, net:

	September 30,	
	2011	2010
	<i>(In thousands)</i>	
Pawn service charges receivable:		
Gross pawn service charges receivable	\$ 37,175	\$ 31,575
Allowance for uncollectible pawn service charges receivable	(10,720)	(9,949)
Pawn service charges receivable, net	\$ 26,455	\$ 21,626
Signature loan fees receivable:		
Gross signature loan fees receivable	\$ 5,839	\$ 6,144
Allowance for uncollectible signature loan fees receivable	(491)	(326)
Signature loan fees receivable, net	\$ 5,348	\$ 5,818
Auto title loan fees receivable:		
Gross auto title loan fees receivable	\$ 1,507	\$ 1,721
Allowance for uncollectible auto title loan fees receivable	(80)	(105)
Auto title loan fees receivable, net	\$ 1,427	\$ 1,616
Inventory:		
Inventory, gross		

Inventory reserves	\$ 99,854	\$ 77,211
Inventory, net	(9,481)	(5,709)
	\$ 90,373	\$ 71,502

Supplemental Consolidated Statements of Income

The table below provides advertising expense for periods presented. Advertising costs are included in administrative expenses in the Consolidated Statements of Income:

	Fiscal Years Ended September 30,		
	2011	2010	2009
	<i>(In thousands)</i>		
Advertising Expense	\$ 3,577	\$ 2,205	\$ 2,033



**Table of Contents****Other Supplemental Information**

	September 30, 2011                  2010 <i>(In thousands)</i>	
Signature Loans:		
Expected LOC losses	\$ 1,562	\$ 1,337
Maximum exposure for LOC losses	\$ 23,845	\$ 24,449
Auto title loans:		
Expected LOC losses	\$ 233	\$ 362
Maximum exposure for LOC losses	\$ 6,423	\$ 7,197

**Valuation and Qualifying Accounts**

Description	Balance at	Additions			Balance at
	Beginning of Period	Charged to Expense	Charged to Other Accts	Deductions	of Period
<i>(In thousands)</i>					
Allowance for valuation of inventory:					
Year ended September 30, 2011	\$ 5,709	\$ 3,772	\$	\$	\$ 9,481
Year ended September 30, 2010	\$ 5,719	\$	\$	\$ 10	\$ 5,709
Year ended September 30, 2009	\$ 4,028	\$ 1,691	\$	\$	\$ 5,719
Allowance for uncollectible pawn service charges receivable:					
Year ended September 30, 2011	\$ 9,949	\$	\$ 771	\$	\$ 10,720
Year ended September 30, 2010	\$ 8,521	\$	\$ 1,428	\$	\$ 9,949
Year ended September 30, 2009	\$ 5,315	\$	\$ 3,206	\$	\$ 8,521
Allowance for uncollectible signature loan fees receivable:					
Year ended September 30, 2011	\$ 326	\$	\$ 165	\$	\$ 491
Year ended September 30, 2010	\$ 461	\$	\$ (135)	\$	\$ 326
Year ended September 30, 2009	\$ 581	\$	\$ (120)	\$	\$ 461
Allowance for valuation of deferred tax assets:					

Edgar Filing: EZCORP INC - Form 10-K

Year ended September 30, 2011	\$ 1,273	\$ 152	\$	\$	\$ 1,425
Year ended September 30, 2010	\$	\$ 1,273	\$	\$	\$ 1,273
Year ended September 30, 2009	\$ 233	\$	\$	\$ 233	\$
Allowance for uncollectible auto title loan fees receivable:					
Year ended September 30, 2011	\$ 105	\$	\$ (25)	\$	\$ 80
Year ended September 30, 2010	\$ 21	\$	\$ 84	\$	\$ 105
Year ended September 30, 2009	\$	\$	\$ 21	\$	\$ 21

**Note U: Subsequent Events**

Acquisitions

Since the end of our fiscal year, we acquired 17 pawn stores located in Florida and the greater San Antonio, Texas metropolitan area and eight Cash Converters locations located in Pennsylvania, Virginia and Ontario, Canada, for consideration of approximately \$49.2 million. The consideration was comprised of \$48.2 million cash and approximately \$1.0 million related to the issuance of 33,011 shares of EZCORP Class A Non-voting Common Stock. The purchase price allocation for these acquisitions is incomplete as we continue to receive information regarding the acquired assets. As a result, we are unable to provide at this time a breakout between net tangible assets, intangible assets and goodwill.

**Table of Contents**

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2011. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2011.

***Management's Report on Internal Control Over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of our internal control over financial reporting. Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d(f) under the Securities Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles in the United States of America ( GAAP ). Internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, (c) provide reasonable assurance that receipts and expenditures are being made only in accordance with appropriate authorization of management and the board of directors, and (d) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management has assessed the effectiveness of our internal control over financial reporting as of September 30, 2011. To make this assessment, management utilized the criteria for effective internal control over financial reporting described in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that our internal control over financial reporting was effective as of September 30, 2011.

Our internal control over financial reporting as of September 30, 2011 has been audited by BDO USA, LLP, the independent registered public accounting firm that audited our financial statements included in this report, and their report follows immediately.

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders

EZCORP, Inc.

Austin, Texas

We have audited EZCORP, Inc.'s internal control over financial reporting as of September 30, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). EZCORP, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, EZCORP, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of EZCORP, Inc. as of September 30, 2011 and 2010 and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2011. Our report dated November 23, 2011 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Dallas, Texas

November 23, 2011

**Table of Contents**

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the fourth quarter of fiscal 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Inherent Limitations on Internal Controls**

Notwithstanding the foregoing, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Limitations inherent in any control system include the following:

Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes.

Controls can be circumvented by individuals, acting alone or in collusion with others, or by management override.

The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures.

The design of a control system must reflect the fact that resources are constrained, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

**Item 9B. Other Information**

None.

**Table of Contents****PART III****Item 10. Directors, Executive Officers and Corporate Governance****Board of Directors**

Set forth below are the names of the persons who, as of November 15, 2011, constituted our Board of Directors and their ages and committee assignments as of that date.

<b>Name</b>	<b>Age</b>	<b>Committees</b>
Sterling B. Brinkley (Chairman)	59	
Paul E. Rothamel	47	
Joseph J. Beal	66	Compensation (Chair)
Pablo Lagos Espinosa	56	Compensation
John Farrell	53	Audit
William C. Love	62	Audit (Chair)
Thomas C. Roberts (Lead Director)	69	Audit, Compensation

*Director Qualifications* The Board believes that individuals who serve on the Board should have demonstrated notable or significant achievements in business, education or public service; should possess the requisite intelligence, education and experience to make a significant contribution to the Board and bring a range of skills, diverse perspectives and backgrounds to its deliberations; and should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of our stockholders. The following are qualifications, experience and skills for Board members which are important to our business and its future:

*Leadership Experience* Our directors should demonstrate extraordinary leadership qualities. Strong leaders bring vision, strategic agility, diverse and global perspectives and broad business insight to the company. They demonstrate practical management experience, skills for managing change and deep knowledge of industries, geographies and risk management strategies relevant to our business. They have experience in identifying and developing the current and future leaders of the company.

*Finance Experience* We believe that all directors should possess an understanding of finance and related reporting processes.

*Strategically Relevant Experience* Our directors should have business experience that is relevant to our strategic goals and objectives, including geographical and product expansion. We value experience in our high priority growth areas, including new or expanding geographies or customer segments and existing and new technologies; understanding of our business environments; and experience with, exposure to or reputation among a broad subset of our customer base.

*Government Experience* Our business is subject to a variety of legislative and regulatory risks. Accordingly, we value experience in the legislative, judicial or regulatory branches of government or government relations.

*Biographical Information* Set forth below is current biographical information about our directors, including the qualifications, experience and skills that make them suitable for service as a director.

*Sterling B. Brinkley* Mr. Brinkley serves as our Chairman of the Board of Directors. He has served as either Chairman of the Board of Directors or Chairman of the Executive Committee of the Board of Directors since 1989. Mr. Brinkley also serves as a director and Deputy Chairman of Albemarle & Bond Holdings PLC. From 1988 until March 2005, Mr. Brinkley served as Chairman of the Board, Chairman of the Executive Committee or Chief Executive Officer of Crescent Jewelers, Inc., and from 1990 until December 2003, he served as Chairman of the Board or Chairman of the Executive Committee of Friedman's, Inc. Both Crescent Jewelers, Inc. and Friedman's, Inc. were affiliates of MS Pawn Limited Partnership, the owner of all of our outstanding Class B Voting Common

**Table of Contents**

Stock. Crescent Jewelers filed for Chapter 11 bankruptcy protection in August 2004, and Friedman's, Inc. filed for Chapter 11 bankruptcy protection in January 2005.

Director qualifications: leadership experience; broad business experience; financial experience; international experience and global perspective; industry knowledge; experience in developing growth strategies; understanding of our unique business environment.

*Paul E. Rothamel* Mr. Rothamel is our President and Chief Executive Officer and also serves as a director. Mr. Rothamel joined us in September 2009 as Executive Vice President and Chief Operating Officer, became President in February 2010 and became Chief Executive Officer in November 2010. Prior to joining us, Mr. Rothamel was the President and Chief Executive Officer of Pamida, a privately held company that owns and operates more than 200 general merchandise and pharmacy stores. Mr. Rothamel joined Pamida in 1999 as Senior Vice President, Store Operations, was promoted to the position of Senior Vice President, Operations in 2005 and served in that capacity until assuming the President and Chief Executive Officer position in November 2007. From 1997 to 1999, Mr. Rothamel held the positions of Regional Vice President, Store Operations and District Team Leader at ShopKo Stores, Inc., also a privately-held owner and operator of general merchandise and pharmacy stores and an affiliate of Pamida. Before joining ShopKo, Mr. Rothamel held various operational positions with Target Stores, Inc. and Venture Stores Inc.

Director qualifications: leadership, chief executive officer and executive management experience; retail management experience; deep understanding of consumer businesses and customer service strategies; risk management experience; financial experience; experience in developing, implementing and managing strategic plans; personnel development; deep understanding of conducting business in highly regulated environments.

*Joseph J. Beal* Mr. Beal has served as a director since September 2009 and serves as Chair of the Compensation Committee. Mr. Beal also serves as a director of Cash Converters International Limited. Until his retirement in 2008, Mr. Beal was the General Manager and Chief Executive Officer of the Lower Colorado River Authority. Prior to joining the LCRA in 1995, he was the Senior Vice President and Chief Operating Officer for Espey Hudson & Associates, an international engineering and environmental consulting firm based in Austin, Texas.

Director qualifications: leadership, chief executive officer and executive management experience; risk management experience; financial experience; experience in developing, implementing and managing strategic plans; personnel development; deep understanding of conducting business in highly regulated environments; legislative and government relations experience.

*Pablo Lagos Espinosa* Mr. Lagos joined us as a director in October 2010 and is a member of the Compensation Committee. Mr. Lagos served as President and Chief Executive Officer of Pepsi Bottling Group Mexico from 2006 to 2008 and as its Chief Operating Officer from 2003 to 2006. He previously held various executive management positions with Pepsi Bottling Group, PepsiCo Inc., Unilever Mexico and PepsiCola International, Inc., concentrating exclusively in Latin America. Since his retirement in December 2008, Mr. Lagos has been an investor and consultant in various private business ventures and has served as a keynote speaker on organizational leadership and management. He currently serves as Chairman of the Board and Executive President for the Mexican subsidiary of Areas, a Spanish global organization dedicated to restaurant and retailing operations in key public transportation hubs, and as Chairman of the board of Residencial Puente de Piedra, a privately-held enterprise focused on developing affordable housing projects in and around Mexico City.

Director qualifications: leadership, chief executive officer and executive management experience in significant multi-national environments; deep understanding of strategically important geographies and international

markets; risk management experience; financial experience; experience in developing, implementing and managing strategic plans, including international expansion; personnel development; legislative and government relations experience.

*John Farrell* Mr. Farrell was appointed to our board of directors in July 2011 and serves on the Audit Committee. Mr. Farrell formerly served as President and Chief Executive Officer of the Specialised Agencies and Marketing Services business of Publicis Groupe, one of the world's top three advertising and communications agency groups. During his business career, Mr. Farrell has held various executive management positions with a number of global advertising and communications firms, including Publicis Groupe (2003–2009); D'Arcy Masius Benton & Bowles (1993–2003);



**Table of Contents**

and IMP International (1985 – 1993). He serves as non-executive director of a number of advertising and communications related businesses, including Huntsworth Plc, Albion Digital Advertising Group, DWA, Media Equals, Acceleration and LBI, and as senior consultant advisor to several businesses. Mr. Farrell is also a director of Albemarle & Bond Holdings PLC.

Director qualifications: leadership, chief executive officer and executive management experience in significant multi-national environments; deep understanding of strategically important geographies and international markets; risk management experience; financial experience, experience in developing, implementing and managing strategic plans, including international expansion; experience in developing, implementing and managing marketing plans; personnel development.

*William C. Love* Mr. Love has served as a director since October 2008 and is Chair of the Audit Committee. Mr. Love also serves as a director of Cash Converters International Limited. Mr. Love is a Certified Public Accountant and Certified Valuation Analyst, and since January 1993 has practiced public accounting in the Austin, Texas based William C. Love accounting firm. From 1972 to 1993, Mr. Love worked with the accounting firm of KPMG Peat Marwick and its predecessors, including appointments as Partner in Charge of Audit, Partner in Charge of Tax and Managing Partner of its Austin, Texas office.

Director qualifications: leadership experience; broad business insight; accounting, tax and financial reporting expertise.

*Thomas C. Roberts* Mr. Roberts has served as a director since January 2005 and as our Lead Director since November 2008. He is a member of both the Audit Committee and the Compensation Committee. Mr. Roberts also serves as a director of Albemarle & Bond Holdings PLC. Since 1990, Mr. Roberts has been a private investor and is currently Chairman of the Board of Directors of Pensco, Inc., a financial services company, having previously served as a senior executive (including Chief Financial Officer) of Schlumberger, Ltd. (1970 to 1985) and President and director of Control Data Computer Systems and Services (1985 to 1989).

Director qualifications: leadership experience; chief financial officer, chief executive officer and general management experience in significant and complex multi-national environments; deep understanding of strategically important geographies and international markets; risk management experience; financial expertise; experience in developing, implementing and managing strategic plans, including international expansion; personnel development.

**Executive Officers**

Set forth below are the name, age, position and biographical information of each of the persons serving as our executive officers as of November 15, 2011 except for Mr. Brinkley and Mr. Rothamel, whose biographical information is included under Board of Directors above.

<b>Name</b>	<b>Age</b>	<b>Title</b>
Sterling B. Brinkley	59	Chairman of the Board of Directors
Paul E. Rothamel	47	President and Chief Executive Officer
Eric Fosse	48	President, North American Operations
Mark Kuchenrither	49	President, Change Capital
Tony Sanders	54	Senior Vice President, Human Resources
Stephen A. Stamp	50	Senior Vice President and Chief Financial Officer
Brent Turner	41	President, eCommerce and Card Services
Thomas H. Welch, Jr.	56	Senior Vice President, General Counsel and Secretary

*Eric Fosse* Mr. Fosse joined us in September 2004 as Vice President of EZMONEY Operations. He was promoted to President EZMONEY Division in August 2007, to President, Pawn Americas in July 2009 and to President, North American Operations in March 2011. From 1991 to 2004, Mr. Fosse held various operating positions and ultimately

served as a Regional Vice President of G&K Services, a \$500 million provider of uniform and textile products.

**Table of Contents**

*Mark Kuchenrither* Mr. Kuchenrither joined us as Senior Vice President, Strategic Development in March 2010 and was promoted to President, Change Capital in October 2011. From 2007 to March 2010, Mr. Kuchenrither served as Vice President of Operations of Sun Capital Partners, a major private equity firm, where he was responsible for the oversight of ten portfolio companies with emphasis on profit improvement. He was Chief Financial Officer of Arch Aluminum & Glass from 2003 to 2007, and was Chief Financial Officer and Treasurer of Peavey Electronics Corporation from 2000 to 2003. He began his career in various accounting and controller functions.

*Tony Sanders* Mr. Sanders joined us in April 2010 as Senior Vice President, Human resources. Mr. Sanders was the Managing Director of Human Resources Services and Administration for United Airlines from 2007 to 2010. From 2000 to 2006, Mr. Sanders served as the Vice President Human Resource Business Center for ConAgra Foods, a \$14 billion food packaging company, where he was responsible for human resources administrative services, benefits planning and administration, payroll and human resource acquisition management. From 1998 to 2000, Mr. Sanders served as Director of Benefits and Corporate Human Resources for Baker Hughes Incorporated, a 35,000 person multi-national oilfield services company. From 1989 to 1998 he served in various tax leadership roles at Baker Hughes.

*Stephen A. Stamp* Mr. Stamp joined us as Senior Vice President and Chief Financial Officer in November 2010. Mr. Stamp was the Chief Financial Officer at KV Pharmaceutical Company from March 2010 until May 2010. For the preceding eight months, Mr. Stamp provided consultancy services to private equity backed pharmaceutical companies. From 2004 to 2009, he served as Chief Financial Officer and for one year as Chief Operating Officer of Xanodyne Pharmaceuticals, Inc., a U.S.-based private pharmaceutical company. From 2000 to 2004, Mr. Stamp was Group Finance Director and a board member of Regus Group PLC, a publicly traded global office services company based in the U.K. From 1994 to 1999, he was Group Finance Director and a board member of Shire Pharmaceuticals Group PLC, a publicly traded international pharmaceutical company headquartered in the U.K. Mr. Stamp also spent six years in the investment banking division of Lazard in London and three years at KPMG, London.

*Brent Turner* Mr. Turner joined us in September 2011 as President, eCommerce and Card Services. In this role, he will be responsible for establishing, developing and managing our electronic commerce and other digital initiatives, as well as further developing and managing our integrated debit card business. From 2006 until 2011, Mr. Turner was Vice President of Retail Financial Services at Rent-A-Center, where he led the development of Rent-A-Center's financial service centers business and online channel. Prior to joining Rent-A-Center, Mr. Turner was Executive Vice President and Chief Operating Officer of Herring Bancorp (2003–2005); and Associate Vice President, Self Service Division (2000–2003) and Director, Product Development (1998–2000) at Ace Cash Express.

*Thomas H. Welch, Jr.* Mr. Welch joined us in April 2009 as Senior Vice President, General Counsel and Secretary. He joined Dell, Inc.'s legal department in 1995, and served as Vice President, Legal and General Corporate Counsel from April 1999 to April 2008. Mr. Welch was principally responsible for legal support of Dell's corporate securities, corporate finance, mergers and acquisitions, financial services, executive compensation and benefits, facilities, corporate governance and general corporate matters. From 1992 to 1995, Mr. Welch was Vice President—Corporate Development of Parker & Parsley Petroleum Company (predecessor to Pioneer Natural Resources), and previously was a shareholder with the law firm of Johnson & Gibbs, P.C., Dallas, Texas.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Based on written representations and a review of the relevant Forms 3, 4 and 5, during fiscal 2011, all persons subject to Section 16 of the Securities Exchange Act of 1934 with respect to EZCORP timely filed all reports required by Section 16(a) of the Securities Exchange Act.

**Code of Conduct and Ethics**

We maintain a Code of Conduct and Ethics that is applicable to all of our employees, including our chief executive officer, chief financial officer and chief accounting officer. That Code of Conduct and Ethics, which satisfies the requirements of a code of ethics under applicable SEC rules, contains written standards that are designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest; full, fair, accurate, timely and understandable public disclosures and communications, including financial reporting; compliance with applicable laws, rules and regulations; prompt internal reporting of violations of the code, and accountability for adherence to the code. A copy of the Code of Conduct and Ethics is posted in the Investor

Relations section of on our website at [www.ezcorp.com](http://www.ezcorp.com).

## **Table of Contents**

We will post any waivers of the Code of Conduct and Ethics, or amendments thereto, that are applicable to our chief executive officer, our chief financial officer or chief accounting officer in the Investor Relations section of our website at [www.ezcorp.com](http://www.ezcorp.com). To date, there have been no such waivers.

### **Corporate Governance**

*Committees of the Board* The Board of Directors maintains the following committees to assist it in its oversight responsibilities. The current membership of each committee is indicated in the list of directors set forth under Board of Directors above.

*Audit Committee* The Audit Committee assists the Board in fulfilling its responsibility to provide oversight with respect to our financial statements and reports and other disclosures provided to stockholders, the system of internal controls, the audit process and legal and ethical compliance. Its primary duties include reviewing the scope and adequacy of our internal and financial controls and procedures; reviewing the scope and results of the audit plans of our independent and internal auditors; reviewing the objectivity, effectiveness and resources of the internal audit function; appraising our financial reporting activities and the accounting standards and principles followed, and reviewing and approving ethics and compliance policies. The Audit Committee also selects, engages, compensates and oversees our independent auditor and pre-approves all services to be performed by the independent auditing firm.

The Audit Committee is comprised entirely of directors who satisfy the standards of independence described under Item 13 Certain Relationships and Related Transactions, and Director Independence Director Independence, as well as additional or supplemental independence standards applicable to audit committee members established under applicable law and NASDAQ listing requirements. The Board has determined that each Audit Committee member meets the NASDAQ financial literacy requirement and that both Mr. Love and Mr. Roberts are financial experts within the meaning of the current rules of the SEC.

*Compensation Committee* The Compensation Committee reviews and approves, on behalf of the Board, the amounts and types of compensation to be paid to our senior executives, reviews and recommends to the full Board the amount and type of compensation to be paid to our non-employee directors, reviews and approves, on behalf of the Board, all bonus and equity compensation to be paid to our other employees, and administers our stock compensation plans. The Compensation Committee is comprised entirely of directors who satisfy the standards of independence described under Item 13 Certain Relationships and Related Transactions, and Director Independence Director Independence, as well as additional or supplemental independence standards applicable to compensation committee members established under applicable law and NASDAQ listing requirements.

Each committee is governed by a written charter, a copy of which can be found in the Investor Relations section of our website at [www.ezcorp.com](http://www.ezcorp.com).

Because all of our voting stock is beneficially owned by Phillip E. Cohen and the remaining stockholders are not entitled to vote on the election of directors, we do not maintain a standing nominating committee of the Board of Directors. In the absence of a nominating committee, director nominees are typically considered by the full Board.

*Meetings and Attendance* During fiscal 2011, the Board of Directors held six meetings, the Audit Committee held six meetings, and the Compensation Committee held four meetings. All directors attended all of the total number of meetings of the Board and of the committees on which they served.

**Table of Contents**

**Item 11. Executive Compensation**

**Compensation Discussion and Analysis**

*Overview of Compensation Program* The Compensation Committee of the Board of Directors is responsible for establishing and implementing our compensation policies applicable to senior executives and monitoring our compensation practices. The Compensation Committee seeks to ensure that our compensation plans are fair, reasonable and competitive. The Compensation Committee is responsible for reviewing and approving all senior executive compensation, all awards under our equity-based compensation plans and long-term cash incentive plans.

*Philosophy and Goals of Executive Compensation Plans* The Compensation Committee's philosophy for executive compensation is to:

Pay for performance The Compensation Committee believes that our executives should be compensated based upon their ability to achieve specific operational and strategic results. Therefore, our compensation plans are designed to provide rewards for the individual's contribution to our performance.

Pay commensurate with other companies categorized as value creators The Compensation Committee has determined that compensation levels for senior executives should be at the 75<sup>th</sup> percentile for similar executives in the workforce. This allows us to attract, hire, reward and retain senior executives who continue to formulate and execute our strategic plans and drive exceptional results.

To ensure our programs are competitive, the Compensation Committee reviews compensation information of peer companies, national data and trends in executive compensation to help determine the appropriateness of our plans and compensation levels. These reviews become the basis for the Compensation Committee's decisions on compensation plans and individual executive compensation payments.

The Compensation Committee has approved a variety of programs that work together to provide a combination of basic compensation and strong incentives. While it is important for us to provide certain base level salaries and benefits to remain competitive, the Compensation Committee's objective is to provide compensation plans with incentive opportunities that motivate and reward executives for consistently achieving superior results. The Compensation Committee designs our compensation plans to:

Reward executives based upon overall company performance, their individual contributions and creation of stockholder value;

Encourage top performers to make a long-term commitment to our company, and

Align executive incentive plans with the long-term interests of stockholders.

The Compensation Committee reviews competitive information and individual compensation levels before each fiscal year. During the review process, the Compensation Committee addresses the following questions:

Do any existing compensation plans need to be adjusted to reflect changes in competitive practices, different market circumstances or changes to our strategic initiatives?

Should any existing compensation plans be eliminated or new plans be added to the executive compensation programs?

What are the compensation-related objectives for our Incentive Compensation Plan for the upcoming fiscal year?

Based upon individual performance, what compensation modifications should be made to provide incentives for senior executives to perform at superior levels?

**Table of Contents**

In addressing these questions, the Compensation Committee considers input from management, outside compensation experts and published surveys of compensation levels and practices.

The Compensation Committee does not believe that our compensation policies and practices for its employees give rise to risks that are reasonably likely to have a material adverse effect on the company. As noted below, our incentive-based compensation is generally tied to company or business unit financial performance (either consolidated net income or EBITDA or business unit operating income). The Compensation Committee believes that the existence of these financial performance incentives creates a strong motivation for company employees to contribute towards the achievement of strong, sustainable operating and financial performance, and believes that the company has a strong set of internal controls that minimize the risk that financial performance can be misstated in order to achieve incentive compensation payouts.

*Scope of Authority of the Compensation Committee* The Board of Directors has authorized the Compensation Committee to establish the compensation programs for all senior executives and to provide oversight for compliance with our compensation philosophy. The Compensation Committee delegates the day-to-day administration of the compensation plans to management (except with respect to our senior executives), but retains responsibility for ensuring that the plan administration is consistent with the Company's policies. Annually, the Compensation Committee sets the compensation for senior executives, including objectives and awards under incentive plans. For this purpose, senior executives include the executive officers and any other employee with an annual base salary of \$250,000 or more. The Compensation Committee also makes recommendations to the Board of Directors on appropriate compensation for the non-employee directors. In addition to overseeing the compensation of senior executives, the Compensation Committee approves all awards under equity-based compensation plans and long-term cash incentive plans for all other employees. For more information on the Committee's role, see the Committee's charter, which can be found in the Investor Relations section of our website at [www.ezcorp.com](http://www.ezcorp.com).

*Independent Compensation Expertise* The Compensation Committee is authorized to retain independent experts to assist in evaluating executive compensation plans and in setting executive compensation levels. These experts provide information on trends and best practices so the Compensation Committee can formulate ongoing plans for executive compensation. The Compensation Committee retained Towers Watson as its independent expert to assist in the determination of the reasonableness and competitiveness of the executive compensation plans and senior executives individual compensation levels for fiscal 2011, and has engaged Pearl Meyer & Partners to provide similar assistance for fiscal 2012.

For fiscal 2011, Towers Watson performed a benchmark compensation review of our key executive positions, including the Named Executive Officers. Towers Watson utilized market compensation data from the following published survey sources on retail trade and financial services industries, with the surveyed companies' reported compensation data adjusted for revenue differences to be comparable to ours:

Towers Watson General Industry Executive Database

Towers Watson Retail/Wholesale Executive Database

Towers Watson 2010/2011 Survey Report on Top Management Compensation

Towers Watson Global General Industry Database

In evaluating appropriate executive compensation, it is common practice to set targets at a point within the competitive marketplace. The Compensation Committee sets its competitive compensation levels based upon its compensation philosophy. Comparisons to the market are often made using the 50<sup>th</sup> percentile for companies that are value maintainers and the 75<sup>th</sup> percentile for value creators. Based upon the Towers Watson study, the creation of shareholder value and revenue and earnings growth over the last several years, the Compensation Committee determined that the company continues to be a value creator, and set our total compensation target for senior executive positions at the 75<sup>th</sup> percentile of total compensation for the competitive market.

*Peer Group Companies* In addition to the above survey analysis, the Compensation Committee also reviewed the compensation levels at specific competitive benchmark companies. With input from management, the Compensation Committee chose the peer companies because they are direct competitors within our industry, have similar business

models to our company or have comparable key executive positions. While the specific plans for these companies may or may not be used, it is helpful to review their compensation data to provide benchmarks for the overall compensation levels that will be used to attract, hire, retain and motivate our executives.



**Table of Contents**

As direct competitors and similarly situated companies that compete for the same executive talent, the Compensation Committee determined that the following peer group companies most closely matched the responsibilities and requirements of our executives:

<b>Company</b>	<b>Business</b>
Advance America	Payday Lending
Cash America	Pawn and Payday Lending
Dollar Financial	Payday Lending
First Cash Financial Services	Pawn and Payday Lending
World Acceptance Corp.	Small Loans
Credit Acceptance	Consumer Finance
Coinstar	Specialty Finance
Citi Trends	Retail
Joseph A Banks Clothiers	Retail
Aeropostale, Inc	Retail
Rent-A-Center	Retail
Chipotle Mexican Grill	Retail
Pricesmart, Inc.	Retail
Ulta Salon Cosmetics	Retail

The Compensation Committee used the publicly available compensation information for these companies to analyze our competitive position in the industry. The Compensation Committee reviewed the base salaries, short-term and long term incentive plans and benefits of the executives of these companies to provide background and perspective in analyzing the compensation levels for our executives.

*Specific Elements of Executive Compensation*

*Base Salary* Using information gathered by Towers Watson, peer company data, national surveys, general compensation trend information and recommendations from management, the Compensation Committee approved the fiscal 2011 base salaries for our senior executives.

Base salaries for senior executives are set using the Compensation Committee's philosophy that compensation should be competitive and based upon performance. Executives should expect that their base salaries, coupled with a short-term incentive award, would provide them the opportunity to be compensated at or above the competitive market at the 75<sup>th</sup> percentile.

Based on competitive reviews of similar positions, industry salary trends, overall company results and individual performance, salary increases may be approved from time-to-time. The Compensation Committee reviews and approves base salaries of all senior executives.

For fiscal 2011, using data from national surveys, the Compensation Committee determined that the typical merit increase percentage for executive base salaries should be in the 3% to 5% range, excluding salary adjustments for unusual circumstances and promotions. In setting specific base salary increases, the Compensation Committee also considered competitive market data.

**Table of Contents**

The following table shows the increases in base salaries for the Named Executive Officers that were approved for fiscal 2011 compared to the approved salaries for fiscal 2010:

<b>Named Executive Officer</b>	<b>Fiscal 2011 Base Salary</b>	<b>Fiscal 2010 Base Salary</b>	<b>Increase</b>
Paul E. Rothamel (a)	\$ 750,000	\$ 500,000	50%
Joseph L. Rotunda (b)	1,050,000	1,050,000	0%
Stephen A. Stamp (c)	350,000		N/A
Daniel M. Chism (d)	221,500	215,000	3.0%
Sterling B. Brinkley	800,000	775,000	3.2%
Mark Kuchenrither	386,250	375,000	3.0%
Eric Fosse	412,000	400,000	3.0%

- (a) Mr. Rothamel, formerly President and Chief Operating Officer, was promoted to President and Chief Executive Officer effective November 1, 2010, and the increase in base salary reflects this promotion.
- (b) Mr. Rotunda, formerly Chief Executive Officer, retired from his position of Chief Executive Officer and member of the Board of Directors effective October 31, 2010. The amount shown is the amount of the approved annual salary that Mr. Rotunda was earning at the time of his retirement. The actual amount paid to Mr. Rotunda during fiscal 2011 is shown in the Summary Compensation Table below.
- (c) Mr. Stamp joined the company as Senior Vice President and Chief Financial Officer in November 2010.
- (d) Mr. Chism, formerly Vice President and Chief Accounting Officer, served as interim principal financial officer from May 2010 until November 2010. The information shown reflects Mr. Chism's compensation as Vice President and Chief Accounting Officer. Mr. Chism left the company in October 2011. The Compensation Committee has approved the following base salaries for fiscal 2012: Mr. Rothamel, \$900,000; Mr. Stamp, \$400,000; Mr. Brinkley, \$900,000; Mr. Kuchenrither, \$450,000; and Mr. Fosse, \$450,000.

*Short-Term Incentive Compensation* Our senior executives, as well as other key employees, are eligible to participate in our annual Incentive Compensation Plan, which has four primary objectives:

Attract, retain and motivate top-quality executives who can add significant value to the company;

Create an incentive compensation opportunity that is an integral part of the executive's total compensation program;

Reward participants' contributions to the achievement of our business results; and

Provide an incentive for individuals to achieve corporate, business unit, departmental and personal objectives that are tied to our strategic goals.

The Incentive Compensation Plan provides each participant an opportunity to receive an annual incentive cash bonus based on our company and business unit financial performance and the participant's personal performance during the fiscal year.

The following are the key provisions of the Incentive Compensation Plan:

The plan is administered by the Compensation Committee, which has the power and authority to establish, adjust, pay or decline to pay the incentive bonus for each participant, including the power and authority to increase or decrease the incentive bonus otherwise payable to a participant. However, the committee does not have the power to increase, or make adjustments that would have the effect of increasing, the incentive bonus otherwise payable to any executive officer. The committee has the right to delegate to the Chief Executive

Officer its authority and responsibilities with respect to the incentive bonuses payable to employees other than executive officers.

The eligible participants include the executive officers and other key employees.

**Table of Contents**

The Compensation Committee is responsible for designating the participants for each fiscal year and specifying the terms and conditions for earning incentive bonuses, including establishing specific performance objectives. Incentive bonuses payable to executive officers are intended to constitute qualified performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code. Consequently, each incentive bonus awarded to an executive officer must be conditioned on one or more specified Performance Measures, calculated on a consolidated or business unit basis. Possible Performance Measures include total stockholder return; net income; earnings per share; return on sales; return on equity; return on assets; return on invested capital; increase in the market price of stock or other securities; revenues; net revenues; operating income; cash flow; EBITDA; the performance of the company in any of the foregoing measures in comparison to a pre-established peer group; or any other performance objective approved by the company's stockholders.

As soon as reasonably practicable after the end of each fiscal year, the Compensation Committee will determine whether the specified performance goal for each incentive bonus has been achieved and the amount of the incentive bonus to be paid to each participant. The maximum annual incentive bonus that may be awarded to any executive officer may not exceed 300% of the executive officer's base salary during that year. At the beginning of fiscal 2011, the Compensation Committee established the fiscal 2011 targets and performance measures for each of the senior executives. For fiscal 2011, the incentive bonus for each senior executive was a function of the designated target amount (stated as a percentage of base salary), a business performance modifier ranging from 0% to 150% and an individual performance modifier ranging from 0% to 100%. For each executive, the business performance modifier was based on a company performance objective (the achievement of specified levels of consolidated net income, which required a significant increase over the actual net income for fiscal 2010) plus, in the case of certain of the senior executives, a business unit performance objective (the achievement of specified levels of operating income, again, requiring significant year-over-year increases). The individual performance modifiers were based on end-of-year performance reviews and, in the case of Mr. Brinkley and Mr. Rothamel, were determined by the Compensation Committee.

For the Named Executive Officers, the Compensation Committee established the following incentive bonus targets (stated as a percentage of base salary) and business performance modifiers for fiscal 2011:

<b>Named Executive Officer</b>	<b>Target Percentage</b>	<b>Business Performance Modifier</b>
Mr. Rothamel	150%	Consolidated net income
Mr. Stamp	60%	Consolidated net income
Mr. Chism	40%	Consolidated net income
Mr. Brinkley	150%	Consolidated net income
Mr. Kuchenrither	75%	Consolidated net income
Mr. Fosse	100%	Consolidated net income (50%) U.S. Pawn operating income (30%) Empeño Fácil operating income (15%) CASHMAX operating income (5%)

Mr. Rotunda did not receive a target bonus percentage for fiscal 2011 in contemplation of his retirement at the end of October 2010.

In November 2011, the Compensation Committee determined, based on our actual consolidated and business unit financial performance for fiscal 2011, that (a) our performance objective was achieved at the 150% payout level, (b) the U.S. Pawn performance objective was achieved at the 150% payout level, (c) the Empeño Fácil performance objective was achieved at the 150% payout level and (d) the CASHMAX performance objective was achieved at the 150% payout level. After reviewing the proposed payouts for senior executives, the Compensation Committee approved the total short-term incentive bonus payouts for each senior executive. The payouts to the

Named Executive Officers are shown under Non-Equity Incentive Plan Compensation in the Summary Compensation Table below.

**Table of Contents**

The Compensation Committee has approved the following incentive bonus targets for fiscal 2012 (stated as a percentage of base salary): Mr. Rothamel, 200%; Mr. Stamp, 60%; Mr. Brinkley, 200%; Mr. Kuchenrither, 75%; and Mr. Fosse, 100%. The business performance modifiers are again based on consolidated net income and business unit operating income and will require significant year-over-year increases from fiscal 2011 to fiscal 2012.

*Long-Term Compensation* All of our executive officers are eligible to receive equity awards in the form of stock options or restricted stock. Participation in the long-term incentive plan is based on the following criteria:

Analysis of competitive information for comparable positions;

Evaluation of the value added to the company by hiring or retaining specific executives; and

Each executive's long-term potential contributions to our company.

Although equity awards may be made at any time as determined by the Compensation Committee, they are generally made on the first business day of our fiscal year or on or around the recipient's hire date (in the case of new-hire grants).

The Compensation Committee's philosophy on long-term compensation is that equity-based compensation is an effective method to align the interests of stockholders and management and focus management's attention on long-term results. Participation in equity-based compensation plans must also consider the impact the participant can have on our overall performance, strategic direction, financial results and stockholder value. Therefore, equity awards are primarily based upon the participant's position in the organization, competitive necessity and individual performance.

Most equity awards have vesting schedules over several years to promote long-term performance and retention of the recipient, and some have specific performance criteria for vesting.

On October 1, 2010, restricted stock grants were made to 53 key employees totaling 177,500 shares. As a part of those grants, Mr. Kuchenrither and Mr. Fosse each received 10,000 shares and Mr. Chism received 4,000. On November 2, 2010, Mr. Stamp received a grant of 20,000 shares of restricted stock as part of his new-hire compensation package. On March 28, 2011, Mr. Fosse received 15,000 restricted shares in connection with his promotion to the position of President, North American Operations. All of these restricted shares vest pro rata over three years. Mr. Chism left the company on October 3, 2011 and forfeited 2,666 of the 4,000 shares referenced above.

Also on October 1, 2010, Mr. Rothamel and Mr. Brinkley each received a restricted stock grant of 300,000 shares. These shares are subject to a six-year, performance-based vesting schedule (one-third on October 1, 2012, one-third on October 1, 2014 and one-third on October 1, 2016). The Compensation Committee intended these significant grants, which include a longer vesting period (every two years for a total of six years) and specified performance goals (described below), to encourage and incent the company's most senior leaders to manage the company to maximize stockholder value over the long term.

For the October 1, 2010 equity awards made to the executive officers (including the awards to Mr. Rothamel and Mr. Brinkley), as well as the November 2, 2010 award made to Mr. Stamp, the Compensation Committee chose to condition vesting on the attainment of specified performance goals. These goals generally require the company to have achieved, on each scheduled vesting date, an annual compounded growth rate in EBITDA of at least 5%, when compared to the company's EBITDA for fiscal 2010. The Compensation Committee adopted this performance-based vesting so that the executive officers would be incented to achieve steady, positive operating performance over extended periods of time. In addition, the inclusion of the performance goals is intended to ensure that the awards constitute qualified performance-based compensation for purposes of Section 162(m) of the

Internal Revenue Code and, therefore, that the company receives federal income tax deductions for these awards.

On October 3, 2011, restricted stock grants were made to 20 key employees totaling 168,800 shares. As part of those grants, Mr. Stamp received 16,600 shares, Mr. Kuchenrither received 33,200 shares and Mr. Fosse received 16,600 shares. These shares vest pro rata over three years. The vesting of the awards made to the executive officers is subject to performance goals substantially similar to those described above, but using EBITDA for fiscal 2011 as the base. In calculating EBITDA for purposes of the performance-based vesting, the recorded expenses associated with Mr. Rotunda's retirement from the company (including the expenses associated with cash payments and the vesting of

**Table of Contents**

outstanding restricted stock) will be excluded. The Compensation Committee permitted this exclusion because it recognized that those expenses were beyond the control of management and were not reflective of the company's operating performance.

*Supplemental Executive Retirement Plan* We provide selected executives, including all of the Named Executive Officers, with a non-qualified Supplemental Executive Retirement Plan (SERP) in order to offset some of the negative impacts of the highly-paid executive contribution limitations applicable to our 401(k) retirement savings plan. For a description of the SERP, see *Other Benefits and Perquisites* below.

In October 2010, we made the following contributions to the SERP on behalf of the Named Executive Officers:

<b>Named Executive Officer</b>	<b>SERP Award</b>
Paul E. Rothamel	\$ 168,750
Daniel M. Chism	12,404
Sterling B. Brinkley	180,000
Mark Kuchenrither	60,834
Eric Fosse	74,160

No SERP award was made to Mr. Rotunda in contemplation of his retirement at the end of October 2010. In addition, Mr. Stamp joined the company in November 2010 and thus did not receive a SERP award for fiscal 2011.

The SERP awards approved for fiscal 2012 were \$243,000 for Mr. Rothamel, \$57,600 for Mr. Stamp, \$243,000 for Mr. Brinkley, \$70,875 for Mr. Kuchenrither and \$81,000 for Mr. Fosse.

*Other Benefits and Perquisites* The executive officers participate in other benefit plans on the same terms as other employees. These plans include medical, dental and life insurance benefits, and our 401(k) retirement savings plan. In addition, we provide supplemental healthcare benefits to our executive officers. The amount of that benefit for the Named Executive Officers during fiscal 2011 is included in the *All Other Compensation* table below.

*Employment Agreements, Severance and Change-in-Control Arrangements* Effective January 1, 2009, we entered into an Employment and Compensation Agreement with Joseph L. Rotunda, our President and Chief Executive Officer at the time. That agreement expired on October 8, 2010, and Mr. Rotunda retired from his positions as Chief Executive Officer and a member of the Board of Directors on October 31, 2010. The agreement provided Mr. Rotunda with certain severance and termination benefits if he served the full term of the agreement (through October 8, 2010), and Mr. Rotunda became entitled to those benefits upon his retirement. Those benefits are described under *Other Benefits and Perquisites - Certain Termination and Change-in-Control Benefits* below.

On August 3, 2009, we entered into an employment agreement with Paul E. Rothamel, who is now our President and Chief Executive Officer. The agreement provides for certain benefits (principally, a payment equal to one year of then-current base salary) if (a) Mr. Rothamel terminates his employment for good reason (including a change in control), (b) we terminate Mr. Rothamel's employment without cause, or (c) Mr. Rothamel dies or becomes totally and permanently disabled during his active employment. The agreement had an initial term of two years, and has been renewed for an additional one-year term, and will continue to be renewed for successive one-year terms unless either party gives 90-days' notice to terminate.

The company provides the following additional severance or change-in-control benefits to its executive officers:

The terms of employment for certain of our executive officers (including Mr. Stamp and Mr. Kuchenrither) provide that the executive officer will receive salary continuation for one year if his or her employment is terminated by the company without cause.

Mr. Brinkley received a restricted stock award in October 2006 that provides for accelerated vesting of some or all of the unvested shares under certain circumstances, including death or disability, failure to be re-elected to his current position or termination of employment without cause.





## **Table of Contents**

Generally, restricted stock awards, including those granted to the executive officers, provide for accelerated vesting of some or all of the unvested shares in the event of the holder's death or disability.

More information on severance arrangements can be found under **Other Benefit Plans - Certain Termination Benefits** below. The Compensation Committee believes that these benefits provide important protection to the executive officers, are consistent with practice of the peer companies and are appropriate for attraction and retention of executive talent.

Each of the company's executive officers, along with other key employees, has entered into a Protection of Sensitive Information, Noncompetition and Nonsolicitation Agreement. Under the terms of that agreement, the executive is subject to confidentiality and non-disclosure obligations with respect to various categories of proprietary, competitively sensitive and confidential information. In addition, the executive has agreed that, for a period of one year following the termination of employment with the company, he or she will not compete with the company (within a defined area) and will not solicit the company's employees or suppliers.

*Other Factors Affecting Compensation* In establishing total compensation for the executive officers, the Compensation Committee considered the effect of Section 162(m) of the Internal Revenue Code, which limits the deductibility of compensation paid to each covered employee. Generally, Section 162(m) prevents a company from receiving a federal income tax deduction for compensation paid to a covered employee in excess of \$1 million for any year, unless that compensation is performance-based. To the extent practical, the Compensation Committee intends to preserve deductibility, but may choose to provide compensation that is not deductible if necessary to attract, retain, and reward high-performing executives.

### **Compensation Committee Report**

The Compensation Committee has reviewed the foregoing Compensation Discussion and Analysis and has discussed it with management. Based on that review and those discussions, the Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011. This report is provided by the following independent directors, who comprised the Compensation Committee as of the end of fiscal 2011.

Joseph J. Beal (Chair)  
Pablo Lagos Espinosa  
Thomas C. Roberts

### **Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee is or has been an officer or employee of EZCORP, and no member of the Compensation Committee had any relationship requiring disclosure under Item 404 of Regulation S-K, the SEC's rules requiring disclosure of certain relationships and related-party transactions. None of our executive officers serves or has served on the board of directors or compensation committee (or other committee serving an equivalent function) of any other entity that has or has had a member of our Board of Directors as an executive officer.

**Table of Contents****Summary Compensation Table**

The table below summarizes the total compensation for fiscal 2011, 2010 and 2009 for the following persons: Paul E. Rothamel (our current principal executive officer) and Joseph L. Rotunda (who served as principal executive officer until his retirement on October 31, 2010); Stephen A. Stamp (our current principal financial officer) and Daniel M. Chism (who served as principal financial officer during a portion of fiscal 2011); and Sterling B. Brinkley, Mark Kuchenrither and Eric Fosse (the three other most highly-compensated individuals who were serving as executive officers at the end of fiscal 2011). These persons are referred to as the Named Executive Officers.

Name and Principal Position	Fiscal Year	Salary	Bonus (1)	Non-Equity Incentive			Total
				Stock Awards (2)	Stock Plan Compensation (3)	All Other Compensation (4)	
Paul E. Rothamel, President, Chief Executive Officer	2011	\$ 750,000	\$	\$ 5,952,000	\$ 1,687,500	\$ 178,619	\$ 8,568,119
	2010	500,000	125,000	329,250	1,125,000	893,228	2,972,478
	2009						
Joseph L. Rotunda, former President and Chief Executive Officer (6)	2011	80,769				3,955,632	4,036,401
	2010	1,050,000			2,362,500	262,747	3,675,247
	2009	975,000			731,250	249,501	1,955,751
Stephen A. Stamp Senior Vice President and Chief Financial Officer (7)	2011	308,269		427,400	315,000	137,066	1,187,735
	2010						
	2009						
Daniel M. Chism Vice President, Chief Accounting Officer (8)	2011	221,500		79,360	132,900	44,050	477,810
	2010	205,160		52,680	79,980	29,518	367,338
	2009						
Sterling B. Brinkley, Chairman of the Board	2011	800,000		5,952,000	1,800,000	188,965	8,740,965
	2010	775,000			1,743,750	190,750	2,709,500
	2009	775,000	77,624		484,375	179,743	1,516,742
Eric Fosse, President, North American Operations	2011	418,250		668,200	627,750	87,977	1,802,177
	2010	400,000		131,700	487,600	90,734	1,110,034
	2009	342,308		182,800	216,504	72,087	813,699
Mark Kuchenrither, Senior Vice President, Strategic Development (9)	2011	386,250		198,400	434,531	338,524	1,357,705
	2010	199,039		215,200	267,188	175,085	856,512
	2009						

(1) The amount shown for Mr. Rothamel represents a sign-on bonus that we paid to Mr. Rothamel pursuant to the terms of his employment agreement. The amount shown for Mr. Brinkley represents a bonus we paid to him in fiscal 2009 pursuant to the terms of certain stock options that were granted in 1998. In fiscal 2009, we realized a \$0.1 million cash tax savings upon the exercise of those options, and the terms of the grant required us to pay a bonus to Mr. Brinkley equal to the tax savings realized.

(2)

Amounts represent the aggregate grant date fair value of restricted stock awards, computed in accordance with FASB ASC Topic 718. See Note I to our Consolidated Financial Statements included in Item 8 Financial Statements and Supplemental Data. The actual value realized by the Named Executive Officer with respect to stock awards will depend on the market value of our stock on the date the stock is sold.

- (3) Amounts represent the cash awards earned under the Incentive Compensation Plan, which is discussed in further detail in Compensation Discussion and Analysis Short Term Incentive Compensation.
- (4) Amounts include the cost of providing various perquisites and personal benefits, as well as the value of our contributions to the company-sponsored 401(k) plan and Supplemental Executive Retirement Plan. For detail of the amounts shown for each Named Executive Officer, see the table under Other Benefits and Perquisites All Other Compensation below. For information regarding the fiscal 2011 amount shown for Mr. Rotunda, see note (6) below.
- (5) Mr. Rothamel was promoted to President and Chief Executive Officer (principal executive officer) effective November 1, 2010. The amounts shown for fiscal 2010 were paid to Mr. Rothamel in his capacities as Executive Vice President and Chief Operating Officer (from October 1, 2009 through February 9, 2010) and President and Chief Operating Officer (from February 10, 2010 through September 30, 2010).
- (6) Mr. Rotunda retired from his positions as Chief Executive Officer and member of the Board of Directors on October 31, 2010 and, pursuant to his Employment and Compensation Agreement, assumed the role of consultant under a consulting agreement. The amount shown as Salary for fiscal 2011 represents the amount of salary we paid to Mr. Rotunda in his capacity as Chief Executive Officer from October 1, 2010 through October 31, 2010. The amounts shown as All Other Compensation represent amounts we paid to Mr. Rotunda in connection with his retirement, as well as consulting fees we paid to Mr. Rotunda pursuant to his consulting agreement. For detail of these amounts, see the table under Other Benefits and Perquisites All Other Compensation below.
- (7) Mr. Stamp joined the company as Senior Vice President and Chief Financial Officer (principal financial officer) on November 2, 2010.
- (8) Mr. Chism served as principal financial officer from May 17, 2010 until November 2, 2010. The amounts shown represent the total compensation paid to Mr. Chism during fiscal 2010 and fiscal 2011. Mr. Chism left the company in October 2011.
- (9) Mr. Kuchenrither joined the company as Senior Vice President Strategic Development in March 2010.

**Table of Contents****Incentive Plan Based Awards**

The following table sets forth certain information about plan-based awards that we made to the Named Executive Officers during fiscal 2011. For information about the plans under which these awards were granted, see the discussion under [Short-Term Incentive Compensation](#) and [Long-Term Compensation](#) under [Compensation Discussion and Analysis](#) above.

**Grants of Plan-Based Awards**

Name	Grant Date	Estimated Future Payouts Under			Stock Awards:	Grant Date Fair Value (3)
		Non-Equity Incentive Plan Awards (1)			Number of Shares of Stock or Units (2)	
		Threshold	Target	Maximum		
Paul E. Rothamel	10/1/2010		\$1,125,000	\$1,687,500	300,000(4)	\$5,952,000
Stephen A. Stamp	11/2/2010		210,000	315,000	20,000(5)	427,400
Daniel M. Chism	10/1/2010		88,600	132,900	4,000(6)(7)	79,360
Sterling B. Brinkley	10/1/2010		1,200,000	1,800,000	300,000(4)	5,952,000
Eric Fosse	10/1/2010		418,500	627,750	10,000(5)	198,400
	3/28/2011				15,000(6)	469,800
Mark Kuchenrither	10/1/2010		289,688	434,531	10,000(5)	198,400

- (1) The target amounts are the target awards under the fiscal 2011 Incentive Compensation Program. They represent a specified percentage of the Named Executive Officer's fiscal 2011 base salary. The threshold amount reflects the fact that no incentive plan awards would have been payable if the minimum financial and other specified incentive goals were not achieved. For actual award amounts, see the [Non-Equity Incentive Plan Compensation](#) column in the [Summary Compensation Table](#) above. More information regarding the Incentive Compensation Program can be found in [Compensation Discussion and Analysis](#) [Short-Term Incentive Compensation](#).
- (2) Represents the number of shares of restricted stock awarded in fiscal 2011. In the event of the holder's death or disability, the vesting of unvested shares will be accelerated.
- (3) Represents the full grant date fair value of fiscal 2011 equity awards. This is the amount we will expense in our financial statements over the awards' vesting schedules.
- (4) These shares vest over six years (one-third on October 1, 2012, one-third on October 1, 2014 and one-third on October 1, 2016), subject to the achievement of specified performance objectives.
- (5) These shares vest pro rata over three years (one-third on the first anniversary of the grant date, one-third on the second anniversary of the grant date and the remaining one-third on the third anniversary of the grant date), subject to the achievement of specified performance objectives.
- (6) These shares vest pro rata over three years (one-third on the first anniversary of the grant date, one-third on the second anniversary of the grant date and the remaining one-third on the third anniversary of the grant date).
- (7) Mr. Chism left the company on October 3, 2011, and the 2,666 shares that remained unvested at that time were forfeited as of such date.

**Table of Contents**

The following table sets forth certain information about outstanding stock awards held by the Named Executive Officers as of the end of fiscal 2011. None of the Named Executive Officers holds any stock options.

**Outstanding Equity Awards at Fiscal Year-End**

Name	Award Date	Stock Awards	
		Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (1)
Paul E. Rothamel	10/1/2009	25,000(2)	\$ 713,500
	10/1/2010	300,000(3)	8,562,000
Stephen A. Stamp	11/2/2010	20,000(4)	570,800
Daniel M. Chism	10/1/2008	3,000(2)	85,620
	10/1/2009	4,000(2)(5)	114,160
	10/1/2010	4,000(6)(5)	114,160
Sterling B. Brinkley	10/2/2006	405,000(7)	11,558,700
	10/1/2010	300,000(3)	8,562,000
Eric Fosse	10/1/2008	10,000(2)	285,400
	10/1/2009	10,000(2)	285,400
	10/1/2010	10,000(4)	285,400
	3/28/2011	15,000(6)	428,100
Mark Kuchenrither	3/11/2010	10,000(6)	285,400
	10/1/2010	10,000(4)	285,400

- (1) Market value is based on the closing price of our Class A Non-voting Common Stock on September 30, 2011 (\$28.54).
- (2) These shares vest on the third anniversary of the date of grant. In the case of grants made on October 1, 2008, the shares vested on October 1, 2011 but were unvested as of the end of fiscal 2011 and, therefore, are presented in the table as unvested shares.
- (3) These shares vest over six years (one-third on October 1, 2012, one third on October 1, 2014 and one-third on October 1, 2016) so long as, at each vesting date, the company has achieved an average annual compounded growth rate in EBITDA of at least 5% when compared to the company's EBITDA for fiscal 2010. Any shares that do not vest as a result of the failure to attain the applicable performance goal will vest on the next succeeding vesting date so long as the performance goal for that succeeding vesting date has been attained.

EBITDA for any fiscal year will be calculated from the company's audited consolidated financial statements for such year, and shall be equal to the company's consolidated net income before interest, taxes, depreciation and amortization, excluding (a) all extraordinary items as defined by generally accepted accounting principles and (b) any recorded expenses associated with the termination of Mr. Rotunda's employment with the company and any recorded expenses associated with the acceleration of vesting of restricted stock held by Mr. Brinkley or Mr. Rotunda (regardless of whether such expenses are considered to be extraordinary items under generally accepted accounting principles).

(4)

These shares vest pro rata over three years (one-third of the first anniversary of the grant date, one-third on the second anniversary of the grant date and the remaining one-third on the third anniversary of the grant date) so long as, at each vesting date, the company has achieved an average annual compounded growth rate in EBITDA of at least 5% when compared to the company's EBITDA for the completed fiscal year immediately preceding the grant date.

(5) Mr. Chism left the company on October 3, 2011 and forfeited all 4,000 unvested shares from the October 1, 2009 grant and unvested 2,666 shares from the October 1, 2010 grant.

(6) These shares vest pro rata over three years (one-third of the first anniversary of the grant date, one-third on the second anniversary of the grant date and the remaining one-third on the third anniversary of the grant date).

(7) These shares are part of a total grant of 675,000 shares that vest as follows:

20% on October 2, 2008 if the average EBITDA for fiscal 2007 and fiscal 2008 is at least 5% greater than the actual EBITDA for fiscal year 2006;

20% on October 2, 2010 if the average EBITDA for fiscal 2009 and fiscal 2010 is at least 10% greater than the actual EBITDA for fiscal year 2006;

20% on October 2, 2012 if the average EBITDA for fiscal 2011 and fiscal 2012 is at least 15% greater than the actual EBITDA for fiscal year 2006;

20% on October 2, 2014 if the average EBITDA for fiscal 2013 and fiscal 2014 is at least 20% greater than the actual EBITDA for fiscal year 2006; and

20% on October 2, 2016 if the average EBITDA for fiscal 2015 and fiscal 2016 is at least 25% greater than the actual EBITDA for fiscal year 2006.

Any shares that do not vest as a result of the failure to attain the applicable performance goal will vest on the next succeeding vesting date so long as the performance goal for that succeeding vesting date has been attained. Upon death or disability, vesting will occur immediately on a portion of the unvested shares calculated as follows: 10% of the originally granted shares multiplied by the number of full or partial years of service since the award date, plus 20% of the originally granted shares, less the number of shares previously vested.

The performance goals for the first two vestings were achieved, and those shares (270,000) vested as described above. The amount shown represents the unvested shares as of the end of fiscal 2011, which are subject to performance-based vesting as described above.

**Table of Contents****Option Exercises and Stock Vested**

The following table sets forth, with respect to the Named Executive Officers, certain information about option exercises and restricted stock vestings during fiscal 2011.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (1)	Number of Shares Acquired on Vesting	Value Realized on Vesting (1)
Paul E. Rothamel				
Joseph L. Rotunda			756,000(2)	\$ 16,004,520
Stephen A. Stamp				
Daniel M. Chism	1,200(3)	\$ 27,444	2,250(4)	43,358
Sterling B. Brinkley			135,000(5)	3,368,250
Eric Fosse			17,000(6)	367,240
Mark Kuchenrither				

- (1) Computed using the fair market value of the stock on the date of exercise or vesting, as the case may be
- (2) On October 8, 2010, the Board of Directors, acting pursuant to the terms of the applicable restricted stock award agreement and with the recommendation of the Compensation Committee, determined that Mr. Rotunda (having served the full term of his employment agreement and successfully implemented a transition plan to a new Chief Executive Officer) had satisfied the specified conditions for the accelerated vesting of 756,000 shares that remained unvested from a grant made on October 2, 2006 and approved the vesting of those shares on October 31, 2010, the effective date of Mr. Rotunda's retirement. The market value of the stock on the date of vesting was \$21.17 per share.
- (3) These options were exercised on November 9, 2010 with an exercise price of \$2.09 per share. The market value of the stock on the date of exercise was \$24.96 per share.
- (4) These shares vested on October 4, 2010. The market value of the stock on the date of vesting was \$19.27 per share
- (5) These shares were part of the grant described in note (7) to the table titled Outstanding Equity Awards at Fiscal Year-End above. These shares vested on November 24, 2010 after it was determined that the applicable performance target had been achieved. The market value of the stock on the date of vesting was \$24.95 per share.
- (6) Of the shares shown, 12,000 vested on October 1, 2010 with a market value of \$19.27 per share on the date of vesting and 5,000 vested on August 8, 2011 with a market value of \$27.20 per share on the date of vesting.

**Other Benefits and Perquisites**

**401(k) Retirement Plan** All employees are given an opportunity to participate in our 401(k) retirement savings plan (following a new-hire waiting period). This plan allows participants to have pre-tax amounts withheld from their pay and provides for a discretionary employer matching contribution (currently, a 25% match in the form of our Class A Non-voting Common Stock up to 6% of salary). Participants may invest their contributions in various fund options, but are prohibited from investing their contributions in our common stock. Participants are immediately vested in their contributions, and the company matching contributions vest over the first four years of employment and are fully vested for participants who have four or more years of service.



*Supplemental Executive Retirement Plan* The Internal Revenue Code limits the amount of pre-tax savings that highly-paid executives can contribute to the 401(k) plan. To offset some of the negative impact of these limitations on retirement savings and to encourage retention of key executives, we provide selected executives with a non-qualified Supplemental Executive Retirement Plan ( SERP ). Company contributions to the SERP are formula-based, reviewed and recommended by management and approved by the Compensation Committee each year. Currently, our annual contributions to the SERP are calculated as a percentage of the sum of base salary plus target bonus, with that percentage being 9% for Senior Vice Presidents or above and 4% for Vice Presidents. The SERP has been designed to provide a potential replacement value of 10% to 20% of final pay for each participant, assuming that the individual remains with us and participates in the SERP for twenty years. There were 17 participants in the SERP in fiscal 2011. All SERP funds have a vesting schedule as an additional retention tool. Generally, the funds vest over three years from the grant date, with one-third vesting each year. All of a participant's SERP funds vest 100% in the event of his or her death or disability, the termination of his or her employment without cause, or the termination of the plan due to a change in control of the company. In addition, all SERP funds are 100% vested when a participant attains his or her normal retirement age (60

**Table of Contents**

years old and five years of active service) while actively employed by us. All SERP funds are forfeited, regardless of vesting status, if the participant's employment is terminated for cause.

A participant may not withdraw any portion of his or her SERP account while still employed by the company unless, in the sole opinion of management, the participant has an unforeseeable emergency, which is defined as a severe financial hardship resulting from an illness or accident of the participant, the participant's spouse or a dependent; the loss of the participant's property due to casualty; or other similar extraordinary and unforeseeable circumstance arising as a result of events beyond the participant's control.

The following table describes the contributions, earnings and balance at the end of fiscal 2011 for each of the Named Executive Officers who participate in the SERP:

**Nonqualified Deferred Compensation**

<b>Name</b>	<b>Company Contributions in Fiscal 2011 (1)</b>	<b>Aggregate Earnings in Fiscal 2011 (2)</b>	<b>Aggregate Withdrawals/Distributions in Fiscal 2011</b>	<b>Aggregate Balance at September 30, 2011 (3)</b>
Paul E. Rothamel	\$ 168,750	\$ (4,725)		\$263,375
Joseph L. Rotunda		92,341	\$ 1,028,727(4)	
Stephen A. Stamp				
Daniel M. Chism	12,404	(921)		11,483
Sterling B. Brinkley	180,000	5,912		806,546
Eric Fosse	74,160	(3,704)		281,193
Mark Kuchenrither	60,834	(929)		59,905

- (1) These amounts were included in the Summary Compensation Table above in the column labeled "All Other Compensation."
- (2) These amounts were not included in the Summary Compensation Table above, as the earnings were not in excess of market rates.
- (3) Of the Aggregate Balance at September 30, 2011, the following amounts were previously reported as compensation in the Summary Compensation Tables for prior years: \$90,000 for Mr. Rothamel; \$0 for Mr. Chism; \$596,188 for Mr. Brinkley; \$183,220 for Mr. Fosse; and \$0 for Mr. Kuchenrither.
- (4) Mr. Rotunda retired from his positions as Chief Executive Officer and member of the Board of Directors on October 31, 2010 and subsequently took a distribution of his SERP balance.

**Table of Contents**

*All Other Compensation* The following table describes each component of the amounts shown in the *All Other Compensation* column in the Summary Compensation Table above.

Name	Year	Fees (1)	Health	Value of	Company	Other	Total
			Care	Supplemental	Contributions		
		Consulting	Supplemental	Insurance	to	Benefits (5)	
		Insurance	Insurance	Premiums	Defined		
		(2)	(2)	(3)	Contribution		
					Plans (4)		
Paul E. Rothamel	2011	\$	\$ 4,324	\$ 1,620	\$ 172,425	\$ 250	\$ 178,619
	2010		1,683	1,380	90,000	800,165	893,228
	2009						
Joseph L. Rotunda	2011	482,692	27,034	1,620		3,444,286	3,955,632
	2010		23,028	2,760	236,959		262,747
	2009		26,537	2,880	220,084		249,501
Stephen A. Stamp	2011		2,092	1,485		133,489	137,066
	2010						
	2009						
Daniel M. Chism	2011		26,644	1,077	16,079	250	44,050
	2010		25,681	1,747	2,090		29,518
	2009						
Sterling B. Brinkley	2011		7,345	1,620	180,000		188,965
	2010		13,615	2,760	174,375		190,750
	2009		19,925	2,880	156,938		179,743
Eric Fosse	2011		10,012	1,620	76,095	250	87,977
	2010		13,093	2,760	74,881		90,734
	2009		8,844	2,826	60,417		72,087
Mark Kuchenrither	2011		3,828	1,620	60,834	272,242	338,524
	2010			690		174,395	175,085
	2009						

(1) Mr. Rotunda retired from his positions as Chief Executive Officer and member of the Board of Directors on October 31, 2010. In accordance with the terms of his Employment and Compensation Agreement, Mr. Rotunda and the company entered into a five-year consulting agreement, effective November 1, 2010, pursuant to which Mr. Rotunda will provide various consulting services to the company. The amount shown represents the amount of consulting fees we paid to Mr. Rotunda pursuant to such consulting agreement.

(2)

We reimburse certain of our executives, including all of the Named Executive Officers, for healthcare costs in excess of amounts covered by our health insurance plans. The amounts shown represent the amount of such supplemental healthcare benefits we paid to each of the Named Executive Officers during each of the years presented

- (3) Represents taxable group life insurance premiums paid on behalf of the Named Executive Officers. The benefit provides life and accidental death and dismemberment coverage at three times the Named Executive Officer's annual salary up to a maximum of \$1 million.
- (4) Includes the company contributions to the 401(k) plan and the Supplemental Executive Retirement Plan.
- (5) Mr. Rothamel joined the company in September 2009, and the amount shown for him for fiscal 2010 represents the aggregate amounts we paid to him in connection with his relocation from Omaha, Nebraska to Austin, Texas, including a one-time bonus in the amount of \$197,949 (plus tax gross-up in the amount of \$113,536) intended to compensate him for price reductions necessary to complete the sale of his house in Omaha and a one-time bonus in the amount of \$200,000 (plus tax gross-up in the amount of \$114,713) to assist him in the purchase of a house in Austin, Texas.

The amount shown for Mr. Rotunda represents the aggregate amount of the cash payments that we made to Mr. Rotunda in connection with his retirement from the company on October 31, 2010 (\$3,412,500), as described under "Certain Termination and Change-in-Control Benefits-Rotunda Employment Agreement and Consulting Agreement" below, as well as the cost of a retirement gift in recognition of his long and productive service to the company (\$31,786).

Mr. Stamp joined the company in November 2010, and the amount shown for him represents the aggregate amounts we paid to him in connection with his relocation from Cincinnati, Ohio to Austin, Texas.

Mr. Kuchenrither joined the company in March 2010, and the amount shown for him represents the aggregate amounts we paid to him in connection with his relocation from Miami, Florida to Austin, Texas, including a one-time moving allowance of \$100,000 (plus tax gross-up in the amount of \$44,965) paid in fiscal 2010 to assist him in the purchase of a house in Austin, Texas and a one-time bonus in the amount of \$200,000 (plus tax gross-up in the amount of \$71,924) paid in fiscal 2011 to assist him in the purchase of a home in Austin, Texas.

**Table of Contents**

*Certain Termination and Change-in-Control Benefits* The following is a summary of various agreements that provide for benefits to the Named Executive Officers upon termination of employment or a change-in-control:

*Rotunda Employment Agreement and Consulting Agreement* Mr. Rotunda's employment agreement provided him with certain severance and termination benefits if he served the full term of the agreement (through October 8, 2010). Those benefits, which Mr. Rotunda earned, included (1) a cash payment in an amount equal to one year's base salary plus his most recent annual incentive bonus award (total of \$3,412,500 paid on January 7, 2011) and (2) a five-year consulting agreement that provides for the following: an annual consulting fee of \$500,000; an annual incentive bonus with a target amount equal to 50% of the annual fee and a maximum amount equal to 100% of the annual fee; and reimbursement of reasonable business expenses. We have also agreed to continue the healthcare benefits for Mr. Rotunda during the term of the consulting agreement. If the consulting agreement is terminated by reason of Mr. Rotunda's death or disability, he will be entitled to payment of an amount equal to one year's annual consulting fee plus one year of incentive bonus (calculated at the target amount) and continuation of healthcare benefits for Mr. Rotunda and/or his spouse (as applicable) for one year. In addition, if we terminate the consulting agreement (other than due to a material breach by Mr. Rotunda) or Mr. Rotunda terminates the consulting agreement because of a material breach by us, then we will pay Mr. Rotunda an amount of cash equal to all annual consulting fees that would have been payable to Mr. Rotunda had the agreement continued until the expiration of the five-year term, plus an additional \$500,000 in lieu of subsequent annual incentive bonuses, and shall continue to provide the healthcare benefits for Mr. Rotunda until the expiration of the five-year term.

*Rothamel Employment Agreement* Mr. Rothamel's employment agreement provides for the payment of certain cash benefits upon the termination of Mr. Rothamel's employment in the following circumstances:

If Mr. Rothamel resigns for good reason, he will be entitled to payment of an amount equal to one year's base salary and payment of amounts required to allow continuation of healthcare benefits for one year plus tax gross-up. For this purpose, good reason includes (1) a resignation following a material diminution of, or material change to, his job title, reporting relationship or responsibilities, authorities and duties, (2) a reduction of his annual base salary below \$500,000 or target bonus below 100% of base salary, (3) removal of his principal work location to a location more than 50 miles from Austin, Texas, (4) a change-in-control of the company and (5) a requirement that he perform an unlawful, dishonest or unethical act.

If Mr. Rothamel's employment is terminated by us without cause, he will be entitled to payment of the prorated portion of his current-year annual incentive bonus (calculated at the target amount), payment of an amount equal to one year's base salary and payment of amounts required to allow continuation of healthcare benefits for one year plus tax gross-up.

If Mr. Rothamel's employment is terminated by reason of death or disability, he (or his estate or beneficiaries) will be entitled to payment of an amount equal to one year's base salary and payment of amounts required to allow continuation of healthcare benefits (limited to coverage for Mr. Rothamel's family in the case of Mr. Rothamel's death) for one year plus tax gross-up.

*October 2, 2006 Restricted Stock Awards* On October 2, 2006, we granted certain performance-based restricted stock awards to Mr. Rotunda and Mr. Brinkley. As described in note (2) to the *Option Exercises and Stock Vested* table under *Incentive Plan Based Awards* above, all of Mr. Rotunda's remaining unvested shares vested on October 31, 2010 (the effective date of Mr. Rotunda's retirement) and the value on that date of the shares subject to such accelerated vesting (excluding shares that would have vested in any event based on the company's performance through the end of fiscal 2010) was approximately \$12 million. As described in note (7) to the *Outstanding Equity Awards at Fiscal Year-End* table under *Incentive Plan Based Awards* above, Mr. Brinkley's remaining unvested shares will continue to vest over the next six years (subject to the achievement of the specified EBITDA targets), but vesting may be accelerated or continued upon termination of employment in the following circumstances:

If Mr. Brinkley resigns for good reason or if Mr. Brinkley's employment is terminated by the us without cause, then vesting of all unvested shares will be accelerated to the date of termination.

If Mr. Brinkley's employment is terminated by reason of death or disability, then vesting of a portion of the unvested shares will be accelerated to the date of termination. Such portion is calculated as follows: 10% of the

**Table of Contents**

originally granted shares multiplied by the number of full or partial years of service since the award date, plus 20% of the originally granted shares, less the number of shares previously vested.

If Mr. Brinkley voluntarily terminates his employment (other than for good reason and except for a voluntary termination that is mutually agreed upon by Mr. Brinkley and the Board of Directors), then all unvested shares will be forfeited.

*Other Restricted Stock Awards* The standard restricted stock award agreement pursuant to which we grant restricted stock to our employees generally provides that vesting is accelerated in whole or in part in the event of the holder's death or disability.

*SERP Contributions* For all executives (including the Named Executive Officers), any unvested company contributions to the SERP will vest in the case of death or disability of the participant or a change-in-control. The following table sets forth the amounts of severance or termination benefits that would have been payable to each of the Named Executive Officers upon the occurrence of various events, assuming each of the events occurred on September 30, 2011. The amounts shown for Mr. Rotunda represent amounts that would be payable under his consulting agreement, assuming termination of that agreement by reason of the events described.

	Salary	Incentive Bonus	Aggregate Healthcare Payments (1)	Accelerated Vesting of Restricted Stock (2)	Accelerated Vesting of SERP Balance
<b>Resignation for Good Reason:</b>					
Paul E. Rothamel	\$ 750,000	\$	\$ 32,141	\$	
Joseph L. Rotunda (3)	2,000,000	500,000	58,031		
Stephen A. Stamp					
Daniel M. Chism					
Sterling B. Brinkley				20,120,700	
Eric Fosse					
Mark Kuchenrither					
<b>Termination Without Cause:</b>					
Paul E. Rothamel	750,000	1,125,000	32,141		
Joseph L. Rotunda (4)	2,000,000	500,000	58,031		
Stephen A. Stamp	350,000				
Daniel M. Chism					
Sterling B. Brinkley				20,120,700	
Eric Fosse					
Mark Kuchenrither	386,250				
<b>Death or Disability:</b>					
Paul E. Rothamel	750,000		32,141	9,040,045	231,298
Joseph L. Rotunda	750,000		58,031		
Stephen A. Stamp				570,800	
Daniel M. Chism				276,267	11,483
Sterling B. Brinkley				8,347,950	378,345
Eric Fosse				1,190,118	151,739
Mark Kuchenrither				476,618	59,905

- (1) Represents the aggregate amount of the payments to be made to allow continuation of healthcare benefits, plus the related tax gross-up payments (if applicable).
- (2) Represents the number of shares subject to accelerated vesting (as described above), multiplied by the closing sales price of the Class A Common Stock on September 30, 2011 (\$28.54).
- (3) The corresponding termination event under Mr. Rotunda's consulting agreement is a termination by Mr. Rotunda because of a material breach by the company. The amount shown in the Salary column represents the amount of the annual consulting fee that would be payable upon the occurrence of the event.
- (4) The corresponding termination event under Mr. Rotunda's consulting agreement is a termination by the company (other than by reason of a material breach by Mr. Rotunda). The amount shown in the Salary column represents the amount of the annual consulting fee that would be payable upon the occurrence of the event.

The Compensation Committee has the authority under our stock-based compensation plans to issue awards with provisions that accelerate vesting and exercisability in the event of a change-in-control. To date, the Committee has not included change-in-control acceleration provisions in any awards. Unless such provisions were subsequently included, then the only benefit that would inure to the Named Executive Officers by reason of a change-in-control itself would be the accelerated vesting for SERP contributions (equal to the same benefit as that set forth under Death or Disability in the table above). If



**Table of Contents**

an executive's employment was terminated following a change-in-control, then the additional benefits described above would apply, depending on the circumstances of the termination.

**Director Compensation**

Each non-employee director receives a basic annual retainer fee, with the chair of the Audit Committee, the chair of the Compensation Committee and the Lead Director each receiving an additional amount. During fiscal 2011, the basic annual retainer fee was \$75,000, and additional amounts paid to the chair of the Audit Committee, the chair of the Compensation Committee and the Lead Director were \$15,000, \$10,000 and \$45,000, respectively. For fiscal 2012, the basic annual retainer fee will be \$75,000 and the additional amounts paid to the chair of the Audit Committee, the chair of the Compensation Committee and the Lead Director will be \$18,000, \$12,000 and \$45,000, respectively. Annual retainer fees are paid in cash on a quarterly basis.

The non-employee directors are also eligible for stock option and restricted stock awards. The number of options or shares of restricted stock awarded, as well as the other terms and conditions of the awards (such as vesting and exercisability schedules and termination provisions), are determined by the Board of Directors upon the recommendation of the Compensation Committee. No options have been awarded to the non-employee directors since fiscal 2007. Equity awards are generally granted on the first business day of the fiscal year.

The following table sets forth the compensation paid to our non-employee directors for fiscal 2011. Mr. Brinkley and Mr. Rothamel are executive officers of the company and do not receive any additional compensation for serving on the Board of Directors.

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Restricted Stock Awards (1)</b>	<b>Total</b>
Joseph J. Beal	\$ 75,000	119,040	\$ 194,040
Pablo Lagos Espinosa	75,000	127,020	202,020
John Farrell (2)	15,285		15,285
William C. Love	90,000	119,040	209,040
Gary C. Matzner (3)	37,500	119,040	156,540
Thomas C. Roberts	120,000	119,040	239,040
Richard D. Sage (4)	85,000	119,040	204,040

- (1) Amounts represent the aggregate grant date fair value of restricted stock awards, computed in accordance with FASB ASC Topic 718. See Note I to our Consolidated Financial Statements included in Item 8 Financial Statements and Supplemental Data for a description of the assumptions used in that computation. The actual value realized by the director with respect to stock awards will depend on the market value of our stock on the date the stock is sold.

In October 2010, each non-employee director received a grant of 6,000 shares of restricted stock, vesting over a two-year period (50% on the first anniversary of the date of grant and 50% on the second anniversary of the date of grant). All non-employee directors received their grants as of October 1, 2010, except for Mr. Lagos who received his as if October 25, 2010. The values shown above were computed using the closing price of our Class A Non-Voting Common Stock on October 1, 2010 (\$19.84) or, in the case of Mr. Lagos, on October 25, 2010 (\$21.17).

At September 30, 2011, each of the non-employee directors held the following number of shares of restricted stock: Mr. Beal, 9,000; Mr. Lagos, 6,000; Mr. Farrell, none; Mr. Love, 9,000; Mr. Roberts, 9,000; and Mr. Sage, 9,000.

- (2) Mr. Farrell joined the Board of Directors effective July 18, 2011, and thus did not receive a restricted stock award during fiscal 2010.

- (3) Mr. Matzner retired from the Board of Directors effective October 26, 2010, after having served as a director for more than eight years. As permitted under his restricted stock award agreements, the Board of Directors elected to accelerate the vesting on all 9,000 shares of unvested restricted stock held by Mr. Matzner on the date of his retirement. The market value of those shares on the date of vesting was \$191,790. In addition, the Board agreed to pay Mr. Matzner his retainer payments through March 31, 2011 (representing an additional retirement benefit of \$18,750).
- (4) Mr. Sage retired from the Board of Directors effective October 31, 2011, after having served as a director for 16 years. As permitted under his restricted stock award agreements, the Board of Directors elected to accelerate the vesting on all 8,200 shares of unvested restricted stock held by Mr. Sage on the date of his retirement. The market value of those shares on the date of vesting was \$227,796. In addition, the Board agreed to pay Mr. Sage his retainer payments through March 31, 2012 (representing an additional retirement benefit of \$18,750).

**Table of Contents****Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters  
Equity Compensation Plans**

Stockholders have approved the 2010 Long-Term Incentive Plan, which we currently use for stock incentive awards. These awards can be in the form of stock options, stock appreciation rights, stock bonuses, restricted stock, restricted stock units, performance units, or performance shares. Although options are still outstanding under the 1998, 2003 and 2006 Incentive Plans, no shares are available for future awards. We do not have any equity compensation plans that were not approved by stockholders. The following table summarizes information about our equity compensation plans as of September 30, 2011.

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options (a) (1)</b>	<b>Weighted Average Exercise Price of Outstanding Options (b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</b>
Equity compensation plans approved by security holders	222,398	\$ 3.12	779,750
Equity compensation plans not approved by security holders			
Total	222,398	\$ 3.12	799,750

(1) Excludes 1,535,000 shares of restricted stock that were outstanding at September 30, 2011.

**Table of Contents****Stock Ownership**

Phillip E. Cohen controls EZCORP through his ownership of all of the issued and outstanding stock of MS Pawn Corporation, the sole general partner of MS Pawn Limited Partnership, which owns 100% of our Class B Voting Common Stock. The following table presents information regarding the beneficial ownership of our Common Stock as of October 31, 2011 for (i) each person known to us to be the beneficial owner of more than 5% of the total number of shares outstanding, (ii) each of our directors, (iii) each of the Named Executive Officers (other than Mr. Chism, who is no longer with the company), and (iv) all directors and executive officers as a group. Unless otherwise indicated, each person named below holds sole voting and investment power over the shares shown, subject to community property laws where applicable.

Beneficial Owner	Class A Non-Voting Common Stock		Class B Voting Common Stock		Voting Percent
	Number	Percent	Number	Percent	
MS Pawn Limited Partnership (a) MS Pawn Corporation Phillip Ean Cohen 1901 Capital Parkway Austin, Texas 78746	2,974,047(b)	5.91%(b)	2,970,171	100%	100%
Blackrock, Inc. 40 East 52 <sup>nd</sup> Street New York, New York 10022	3,646,562(c)	7.79%			
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, Pennsylvania 19355	2,740,189(d)	5.85%			
Munder Capital Management Munder Capital Center 480 Pierce Street Birmingham, Michigan 48009	2,495,261(e)	5.3%			
Sterling B. Brinkley	754,220(f)	1.59%			
Paul E. Rothamel	47(g)	0.00%			
Joseph J. Beal	9,500(h)	0.02%			
Pablo Lagos Espinosa	3,000(h)	0.01%			
John Farrell	(i)	0.00%			
William C. Love	16,000(h)	0.03%			
Thomas C. Roberts	18,000(h)	0.04%			
Stephen A. Stamp	6,667(j)	0.01%			
Eric Fosse	17,587(k)	0.04%			
Mark Kuchenrither	3,334(l)	0.01%			
Directors and executive officers as a group (13 persons) (m)	836,775(n)	1.76%			

(a) MS Pawn Corporation is the general partner of MS Pawn Limited Partnership and has the sole right to vote its shares of Class B Common Stock and to direct their disposition. Mr. Cohen is the sole stockholder of MS Pawn Corporation.

(b) The number of shares and percentage reflect Class A Common Stock, inclusive of Class B Common Stock, shares of which are convertible to Class A Common Stock on a one-to-one basis.

(c)

According to its Schedule 13G filed with the SEC on February 4, 2011, Blackrock, Inc. held, as of December 31, 2010, sole voting power and sole dispositive power with respect to 3,646,562 shares. The percentage of the class represented by these shares shown in the table above is based on information provided by Blackrock, Inc. in its Schedule 13G.

- (d) According to its Schedule 13G filed with the SEC on February 10, 2011, The Vanguard Group, Inc. held, as of December 31, 2010, sole voting power with respect to 62,781 shares, sole dispositive power with respect to 2,677,408 shares and shared dispositive power with respect to 62,781 shares. The percentage of the class represented by these shares shown in the table above is based on information provided by The Vanguard Group, Inc. in its Schedule 13G.
- (e) According to its Schedule 13G filed with the SEC on February 14, 2011, Munder Capital Management held, as of December 31, 2010, sole voting power and sole dispositive power with respect to 2,495,261 shares. The percentage of the class represented by these shares shown in the table above is based on information provided by Munder Capital Management in its Schedule 13G.
- (f) Does not include 705,000 shares of unvested restricted stock.
- (g) These shares are held through the company's 401(k) retirement savings plan. Does not include 325,000 shares of unvested restricted stock.
- (h) Does not include 8,200 shares of unvested restricted stock.
- (i) Does not include 5,200 shares of unvested restricted stock.
- (j) Includes 6,667 shares of restricted stock that will vest in November 2011. Does not include 29,933 shares of unvested restricted stock.
- (k) Includes 3,334 shares of restricted stock that will vest in November 2011 and 253 shares held through the company's 401(k) retirement savings plan. Does not include 48,266 shares of unvested restricted stock.
- (l) Includes 3,334 shares of restricted stock that will vest in November 2011. Does not include 49,866 shares of unvested restricted stock.
- (m) Group includes those persons who were serving as directors and executive officers on October 31, 2011.
- (n) Includes 21,669 shares of restricted stock that will vest in November 2011. Does not include 1,270,831 shares of unvested restricted stock.

**Table of Contents****Item 13. Certain Relationships and Related Transactions, and Director Independence  
Related Party Transactions***Agreement with Madison Park*

On September 30, 2011, we entered into an advisory services agreement with Madison Park, LLC ( Madison Park ), a business and financial advisory firm wholly-owned by Phillip E. Cohen, the beneficial owner of all of our outstanding Class B Voting Common Stock.

*Summary of Terms* Pursuant to the agreement, Madison Park will provide advisory services related to our business and long term strategic plan, including (a) identifying, evaluating, and negotiating potential acquisitions and strategic alliances, (b) assessing operating and strategic objectives, including new business development, (c) advising on investor relations and relations with investment bankers, securities analysts and other members of the financial services industry, (d) assisting in international business development and strategic investment opportunities, and (e) analyzing, evaluating and advising on various financial matters. In exchange for those services, we will pay Madison Park a retainer fee of \$500,000 per month and will reimburse Madison Park for its out-of-pocket expenses incurred in connection with the engagement. In addition, we will indemnify Madison Park (and its officers, directors, employees, and affiliates) from and against all claims, costs, liabilities, and damages related to or arising out of the engagement (except to the extent that any claim, cost, liability, or damage results from the recklessness, willful misconduct, or bad faith of the indemnified party).

The advisory services agreement is effective as of October 1, 2011, and the term of the engagement runs through September 30, 2012. Either party may terminate the agreement at any time on thirty days written notice to the other party.

*Board Governance Process* The engagement of Madison Park pursuant to the advisory services agreement was identified and acknowledged by our Board of Directors from the outset as a related party transaction. Consequently, pursuant to its Policy for Review and Evaluation of Related Party Transactions (described below), the Board of Directors referred the matter to the Audit Committee, which is comprised entirely of independent, non-employee directors. Acting pursuant to that policy, the Audit Committee implemented measures designed to ensure that the advisory services agreement with Madison Park was considered, analyzed, negotiated and approved objectively. Those measures included the following:

The Audit Committee engaged a qualified, independent financial advisory firm for the purpose of evaluating the proposed advisory services agreement relative to comparable market rates for the services contemplated by the agreement, and that firm counseled and advised the committee in the course of its consideration and evaluation of the Madison Park relationship and the proposed terms of the new advisory services agreement.

The Audit Committee sought, received, and relied upon an opinion from that independent financial advisory firm to the effect that the consideration to be paid to Madison Park pursuant to the advisory services agreement is fair to the company from a financial point of view.

With those measures, the Audit Committee evaluated and considered a number of factors, including our need for the services to be provided under the advisory services agreement; the unique character of our business; the unique capabilities and expertise of Madison Park and its principal, Mr. Cohen, to provide the needed services; the amount of the proposed annual retainer fee in relation to comparable related party and other publicly disclosed advisory engagements and in relation to various financial performance measures; and the extent to which we have benefitted in prior years from the advisory relationship with Madison Park.

After consideration and discussion of those factors, the information and fairness opinion provided by its independent financial advisory firm, and the relationships and the interests of Mr. Cohen, the Audit Committee concluded that the advisory services agreement was fair to, and in the best interests of, the company and its stockholders and, on that basis, approved the engagement of Madison Park pursuant to the advisory services agreement.

The advisory services agreement replaces a similar agreement that expired on September 30, 2011. Under that prior agreement, which was effective for all of fiscal 2011, we paid Madison Park a total of \$4.8 million in exchange for the financial advisory services provided pursuant to the agreement.



**Table of Contents***Transactions with Brent Turner*

As noted above, Brent Turner joined us in September 2011 as President, eCommerce and Card Services, and in that capacity, is an executive officer. After leaving Rent-A-Center in February 2011 and before he joined us, Mr. Turner was engaged in a variety of consumer lending business activities (both brick-and-mortar and online) through a companies he wholly or partially owns, including, FS Management LLC, 1<sup>st</sup> Money Centers, Inc. and 1429 Funding, Inc. Those activities included (a) developing a robust decision science model (including related software programs) to enable more refined and sophisticated underwriting of consumer loans, (b) entering into a contractual relationship with an income tax return preparer to facilitate refund anticipation loans, (c) developing an online consumer lending business in the U.K. and (d) owning and operating a group of 15 consumer loan stores (10 in Hawaii and five in South Texas). In connection the hiring of Mr. Turner to lead our eCommerce and Card Services division, we agreed to acquire those business activities from the relevant entities. The basic terms of the acquisition were agreed to prior to the commencement of Mr. Turner's employment (and, thus, prior to Mr. Turner's becoming an executive officer), subject to our completion of appropriate due diligence and the execution of appropriate definitive documentation. In October 2011, we completed the acquisition of the activities described in (a), (b) and (c) above for an aggregate purchase price of \$1.2 million, which was paid in cash. The definitive agreement governing the acquisition of the 15 consumer loan stores has not yet been finalized, and we anticipate that we will complete that acquisition in January 2012. The agreed price for that acquisition is \$12.3 million (adjusted to account for the loan portfolios as of the date of closing). Mr. Turner will be entitled to receive approximately \$6.3 million as a result of the completion of these transactions.

Even though the terms of the acquisitions were agreed to prior to Mr. Turner's becoming an executive officer, we treated these transactions as related party transactions. Consequently, acting pursuant to our Policy for Review and Evaluation of Related Party Transactions (described below), the Audit Committee reviewed and evaluated the terms of the acquisition that was completed in October, and concluded that the transaction was fair to, and in the best interests of, the company and its stockholders. The Audit Committee will also review the final terms of the store acquisition, and completion of that transaction will be subject to the Audit Committee's reaching a similar conclusion with respect to that transaction.

*Review and Approval of Transactions with Related Persons*

The Board of Directors has adopted a written comprehensive policy for the review and evaluation of all related party transactions. Under that policy, the Audit Committee is charged with the responsibility of (a) reviewing and evaluating all transactions, or proposed transactions, between the company and a related person and (b) approving, ratifying, rescinding or taking other action with respect to each such transaction. With respect to any specific transaction, the Audit Committee may, in its discretion, transfer its responsibilities to either the full Board of Directors or to any special committee of the Board of Directors designated and created for the purpose of reviewing, evaluating, approving or ratifying such transaction. As noted under Related Party Transactions, the Audit Committee reviewed and approved the transactions described in that section.

**Director Independence**

The Board of Directors believes that the interests of the stockholders are best served by having a substantial number of objective, independent representatives on the Board. For this purpose, a director is considered to be independent only if the Board affirmatively determines that the director does not have any direct or indirect material relationship with the company that may impair, or appear to impair, the director's ability to make independent judgments.

The Board has evaluated all relationships between each director and the company and has made the following determinations with respect to each director's independence:



**Table of Contents**

<b>Director</b>	<b>Status (a)</b>
Sterling B. Brinkley	Not independent (b)
Paul E. Rothamel	Not independent (b)
Joseph J. Beal	Independent
Pablo Lagos Espinosa	Independent
John Farrell	Independent
William C. Love	Independent
Gary C. Matzner	Independent (c)
Thomas C. Roberts	Independent
Richard D. Sage	Independent (d)

- (a) The Board's determination that a director is independent was made on the basis of the standards for independence set forth in the NASDAQ Listing Rules. Under those standards, a person generally will not be considered independent if he or she has a relationship that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The NASDAQ rules also describe specific relationships that will prevent a person from being considered independent.
- (b) Mr. Brinkley and Mr. Rothamel are executive officers and, therefore, are not independent in accordance with the standards set forth in the NASDAQ Listing Rules.
- (c) Mr. Matzner retired from the Board of Directors on October 26, 2010. Until February 2010, Mr. Matzner was associated with Akerman Senterfitt, one of the largest law firms in Florida. Under the terms of his relationship with Akerman Senterfitt, Mr. Matzner did not have an equity interest in the firm and was paid a fixed, guaranteed amount that was not dependent on client billings, business generation or firm profitability. From June 2008 through January 2010, we engaged Akerman Senterfitt to provide legal services in connection with several matters involving our operations in Florida. The aggregate fees we paid to Akerman Senterfitt were approximately \$231,000, including approximately \$24,000 during fiscal 2010. After considering all the surrounding facts and circumstances, the Board concluded that this relationship was not material and did not otherwise impair, or appear to impair, Mr. Matzner's ability to make independent judgments and, therefore, did not prevent Mr. Matzner from being considered an independent director. In reaching that conclusion, the Board considered (1) the relatively small size of the amounts involved, (2) the nature of Mr. Matzner's relationship with Akerman Senterfitt, and (3) the fact that Mr. Matzner was not involved in providing any legal services to the company.
- (d) Mr. Sage served as a director during all of fiscal 2011 but retired from the Board of Directors on October 31, 2011.

**Table of Contents****Item 14. Principal Accountant Fees and Services**

BDO USA, LLP is a registered public accounting firm and has been our independent auditor since 2004. In addition to retaining BDO USA, LLP to audit our consolidated financial statements, we engage the firm from time to time to perform other services. The following table presents all fees we incurred in connection with professional services provided by BDO USA, LLP during each of the last two fiscal years:

	<b>Years Ended September</b>	
	<b>2011</b>	<b>30, 2010</b>
Audit fees:		
Audit of financial statements and audit pursuant to section 404 of the Sarbanes-Oxley Act	\$ 587,583	\$ 492,417
Quarterly reviews and other audit fees	111,824	68,309
Total audit fees	699,407	560,726
Audit related fees (a)	59,194	21,862
Total fees for services	\$ 758,601	\$ 582,588

(a) Audit related fees consist of consultations and the audit of our 401(k) retirement savings plan.

The amounts shown for fiscal 2011 include our estimated costs for the fiscal 2011 integrated audit, for which we have not yet received final billings. Included in the amounts for fiscal 2011 above is a \$37,583 addition of fees related to the fiscal 2010 integrated audit, as total billings exceeded our previously estimated costs. Included in the amounts for fiscal 2010 above is a \$2,583 reduction of fees related to the fiscal 2009 integrated audit, as our previously estimated costs exceeded total billings.

The Audit Committee of our Board of Directors has adopted a policy requiring its pre-approval of all fees to be paid to our independent audit firm, regardless of the type of service. All non-audit services were reviewed with the Audit Committee, which concluded that the provision of such services by BDO USA, LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

**Table of Contents**

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

**(a)(1) Financial Statements**

The following consolidated financial statements of EZCORP, Inc. are included in Part II, Item 8 Financial Statements and Supplementary Data :

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of September 30, 2011 and 2010

Consolidated Statements of Operations for each of the three years in the period ended September 30, 2011

Consolidated Statements of Comprehensive Income for each of the three years in the period ended September 30, 2011

Consolidated Statements of Cash Flows for each of the three years in the period ended September 30, 2011

Consolidated Statements of Stockholders' Equity for each of the three years in the period ended September 30, 2011

Notes to Consolidated Financial Statements.

**Table of Contents****Exhibits**

The following exhibits are filed with, or incorporated by reference into, this report.

**Exhibit No. Description of Exhibit**

- 3.1 Amended Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 filed on September 26, 2008, Commission File No. 33-153703)
- 3.2 Amended Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended September 30, 2008, Commission File No. 0-19424)
- 4.1 Specimen of Class A Non-voting Common Stock certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 effective August 23, 1991, Commission File No. 33-41317)
- 10.1 Credit Services and Loan Administration Agreement, dated April 11, 2006, between Texas EZPAWN, L.P. and NCP Finance Limited Partnership (incorporated by reference to Exhibit 10.97 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, Commission File No. 0-19424)
- 10.2 Guaranty, dated April 11, 2006, from EZCORP, Inc. to NCP Finance Limited Partnership (incorporated by reference to Exhibit 10.98 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, Commission File No. 0-19424)
- 10.3 Credit Services Organization and Lender Agreement, dated April 12, 2006, between Texas EZMONEY, L.P. and Integrity Texas Funding, L.P. (incorporated by reference to Exhibit 10.99 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, Commission File No. 0-19424)
- 10.4 Credit Services Organization and Lender Agreement, dated November 9, 2005, between Texas EZPAWN, L.P. and Integrity Texas Funding, L.P. (incorporated by reference to Exhibit 10.100 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, Commission File No. 0-19424)
- 10.5 Credit Agreement, dated as of May 10, 2011, among EZCORP, Inc. (as Borrower), certain domestic subsidiaries of the Borrower from time to time party thereto (as Guarantors), the Lenders party thereto, and Wells Fargo Bank, National Association (as Administrative Agent) and BBVA Compass Bank (as Syndication Agent) (incorporate by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 10, 2011 and filed May 11, 2011, Commission File No. 0-19424)
- 10.6 Transaction Implementation Agreement, dated March 21, 2011, between Cash Converters International Limited and EZCORP, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 21, 2011 and filed March 22, 2011, Commission File No. 0-19424). This agreement was terminated in August 2011
- 10.7 Advisory Services Agreement, effective October 1, 2010, between the Company and Madison Park, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 30, 2010 and filed October 4, 2010, Commission File No. 0-19424)
- 10.8 Advisory Services Agreement, effective October 1, 2011, between the Company and Madison Park, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 30, 2011 and filed October 6, 2011, Commission File No. 0-19424)
- 10.9\* EZCORP, Inc. 401(k) Plan and Trust, effective October 27, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended September 30, 2009, Commission File No. 0-19424)
- 10.10\* EZCORP, Inc. Supplemental Executive Retirement Plan effective December 1, 2005 (incorporated by reference to Exhibit 10.94 to the Company's Current Report on Form 8-K dated November 28, 2005 and filed December 1, 2005, Commission File No. 0-19424)
- 10.11\* EZCORP, Inc. 2006 Incentive Plan (incorporated by reference to Exhibit 10.104 to the Company's Annual Report on Form 10-K for the year ended September 30, 2006, Commission File No. 0-19424)

Edgar Filing: EZCORP INC - Form 10-K

- 10.12\* Amended and Restated EZCORP, Inc. 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 effective May 19, 2010, Commission File No. 333-166950)
- 10.13\* EZCORP, Inc. Incentive Compensation Plan (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended September 30, 2010, Commission File No. 0-19424).
- 10.14\* Form of Protection of Sensitive Information, Noncompetition and Nonsolicitation Agreement between the Company and certain employees, including the executive officers (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended September 30, 2010, Commission File No. 0-19424).

**Table of Contents**

**Exhibit No. Description of Exhibit**

10.15*	Form of Restricted Stock Award for executive officers (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended September 30, 2010, Commission File No. 0-19424)
10.16*	Form of Restricted Stock Award for non-employee directors (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended September 30, 2010, Commission File No. 0-19424)
10.17*	Employment and Compensation Agreement, effective January 1, 2009, between the Company and Joseph L. Rotunda (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 22, 2009 and filed January 27, 2009, Commission File No. 0-19424)
10.1*	Employment and Compensation Agreement, effective September 14, 2009, between the Company and Paul E. Rothamel (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended September 30, 2009, Commission File No. 0-19424)
10.23*	Consulting Agreement, effective November 1, 2010, between the Company and Joseph L. Rotunda (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated October 8, 2010 and filed October 12, 2010, Commission File No. 0-19424)
21.1	Subsidiaries of EZCORP, Inc.
23.1	Consent of BDO USA, LLP
31.1	Certification of Paul E. Rothamel, Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Stephen A. Stamp, Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Paul E. Rothamel, Chief Executive Officer, and Stephen A. Stamp, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Identifies Exhibit that consists of or includes a management contract or compensatory plan or arrangement.

Filed herewith.

Furnished herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at September 30, 2011, and September 30, 2010; (ii) Consolidated Statements of Income for the years ended September 30, 2011, September 30, 2010 and September 30, 2009; (iii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2011, September 30, 2010 and September 30, 2009; Consolidated Statements of Cash Flows for the for the years ended September 30, 2011, September 30, 2010 and September 30, 2009; Consolidated Statements of Shareholders' Equity for the years ended September 30, 2011, September 30, 2010 and September 30, 2009; and (iv) Notes to Consolidated Financial Statements.



**Table of Contents****SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

EZCORP, Inc.

By: /s/ Paul E. Rothamel  
Paul E. Rothamel,  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Sterling B. Brinkley Sterling B. Brinkley	Chairman of the Board	November 23, 2011
/s/ Paul E. Rothamel Paul E. Rothamel	President, Chief Executive Officer and Director (principal executive officer)	November 23, 2011
/s/ Stephen A. Stamp Stephen A. Stamp	Senior Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	November 23, 2011
/s/ Joseph J. Beal Joseph J. Beal	Director	November 23, 2011
/s/ William C. Love William C. Love	Director	November 23, 2011
/s/ Pablo Lagos Espinosa Pablo Lagos Espinosa	Director	November 23, 2011
/s/ John Farrell John Farrell	Director	November 23, 2011
/s/ Thomas C. Roberts Thomas C. Roberts	Director	November 23, 2011



**Table of Contents****EXHIBIT INDEX****Exhibit No. Description of Exhibit**

- 3.1 Amended Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 filed on September 26, 2008, Commission File No. 33-153703)
- 3.2 Amended Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended September 30, 2008, Commission File No. 0-19424)
- 4.1 Specimen of Class A Non-voting Common Stock certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 effective August 23, 1991, Commission File No. 33-41317)
- 10.1 Credit Services and Loan Administration Agreement, dated April 11, 2006, between Texas EZPAWN, L.P. and NCP Finance Limited Partnership (incorporated by reference to Exhibit 10.97 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, Commission File No. 0-19424)
- 10.2 Guaranty, dated April 11, 2006, from EZCORP, Inc. to NCP Finance Limited Partnership (incorporated by reference to Exhibit 10.98 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, Commission File No. 0-19424)
- 10.3 Credit Services Organization and Lender Agreement, dated April 12, 2006, between Texas EZMONEY, L.P. and Integrity Texas Funding, L.P. (incorporated by reference to Exhibit 10.99 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, Commission File No. 0-19424)
- 10.4 Credit Services Organization and Lender Agreement, dated November 9, 2005, between Texas EZPAWN, L.P. and Integrity Texas Funding, L.P. (incorporated by reference to Exhibit 10.100 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, Commission File No. 0-19424)
- 10.5 Credit Agreement, dated as of May 10, 2011, among EZCORP, Inc. (as Borrower), certain domestic subsidiaries of the Borrower from time to time party thereto (as Guarantors), the Lenders party thereto, and Wells Fargo Bank, National Association (as Administrative Agent) and BBVA Compass Bank (as Syndication Agent) (incorporate by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 10, 2011 and filed May 11, 2011, Commission File No. 0-19424)
- 10.6 Transaction Implementation Agreement, dated March 21, 2011, between Cash Converters International Limited and EZCORP, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 21, 2011 and filed March 22, 2011, Commission File No. 0-19424). This agreement was terminated in August 2011
- 10.7 Advisory Services Agreement, effective October 1, 2010, between the Company and Madison Park, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 30, 2010 and filed October 4, 2010, Commission File No. 0-19424)
- 10.8 Advisory Services Agreement, effective October 1, 2011, between the Company and Madison Park, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 30, 2011 and filed October 6, 2011, Commission File No. 0-19424)
- 10.9\* EZCORP, Inc. 401(k) Plan and Trust, effective October 27, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended September 30, 2009, Commission File No. 0-19424)
- 10.10\* EZCORP, Inc. Supplemental Executive Retirement Plan effective December 1, 2005 (incorporated by reference to Exhibit 10.94 to the Company's Current Report on Form 8-K dated November 28, 2005 and filed December 1, 2005, Commission File No. 0-19424)
- 10.11\* EZCORP, Inc. 2006 Incentive Plan (incorporated by reference to Exhibit 10.104 to the Company's Annual Report on Form 10-K for the year ended September 30, 2006, Commission File No. 0-19424)
- 10.12\*

Edgar Filing: EZCORP INC - Form 10-K

Amended and Restated EZCORP, Inc. 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 effective May 19, 2010, Commission File No. 333-166950)

10.13\* EZCORP, Inc. Incentive Compensation Plan (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended September 30, 2010, Commission File No. 0-19424)

10.14\* Form of Protection of Sensitive Information, Noncompetition and Nonsolicitation Agreement between the Company and certain employees, including the executive officers (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended September 30, 2010, Commission File No. 0-19424)

**Table of Contents**

**Exhibit No. Description of Exhibit**

10.15*	Form of Restricted Stock Award for executive officers (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended September 30, 2010, Commission File No. 0-19424)
10.16*	Form of Restricted Stock Award for non-employee directors (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended September 30, 2010, Commission File No. 0-19424)
10.17*	Employment and Compensation Agreement, effective January 1, 2009, between the Company and Joseph L. Rotunda (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 22, 2009 and filed January 27, 2009, Commission File No. 0-19424)
10.1*	Employment and Compensation Agreement, effective September 14, 2009, between the Company and Paul E. Rothamel (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended September 30, 2009, Commission File No. 0-19424)
10.23*	Consulting Agreement, effective November 1, 2010, between the Company and Joseph L. Rotunda (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated October 8, 2010 and filed October 12, 2010, Commission File No. 0-19424)
21.1	Subsidiaries of EZCORP, Inc.
23.1	Consent of BDO USA, LLP
31.1	Certification of Paul E. Rothamel, Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Stephen A. Stamp, Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Paul E. Rothamel, Chief Executive Officer, and Stephen A. Stamp, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Identifies Exhibit that consists of or includes a management contract or compensatory plan or arrangement.

Filed herewith.

Furnished herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at September 30, 2011, and September 30, 2010; (ii) Consolidated Statements of Income for the years ended September 30, 2011, September 30, 2010 and September 30, 2009; (iii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2011, September 30, 2010 and September 30, 2009; Consolidated Statements of Cash Flows for the for the years ended September 30, 2011, September 30, 2010 and September 30, 2009; Consolidated Statements of Shareholders' Equity for the years ended September 30, 2011, September 30, 2010 and September 30, 2009; and (iv) Notes to Consolidated Financial Statements.

