CASH AMERICA INTERNATIONAL INC
Form 10-K
February 29, 2008

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2007

OR

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

For the transition period from __________ to __________

Commission File Number 1-9733

(Exact name of registrant as specified in its charter)

Texas	**75-2018239**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1600 West 7th Street	
Fort Worth, Texas	**76102 2599**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code:
(817) 335-1100

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.10 par value per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock Purchase Rights

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

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

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. o

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

The aggregate market value of 28,276,919 shares of the registrant s Common Stock held by non-affiliates on June 30, 2007 was approximately $1,121,180,000.

At February 14, 2008 there were 29,209,689 shares of the registrant s Common Stock, $.10 par value, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive Proxy Statement pertaining to the 2008 Annual Meeting of Shareholders are incorporated herein by reference into PART III of this Form 10-K.

CASH AMERICA INTERNATIONAL, INC.
YEAR ENDED DECEMBER 31, 2007
INDEX TO FORM 10-K

PART I

Item 1.	Business	1
Item 1A.	Risk Factors	14
Item 1B.	Unresolved Staff Comments	17
Item 2.	Properties	18
Item 3.	Legal Proceedings	19
Item 4.	Submission of Matters to a Vote of Security Holders	20

PART II

Item 5.	Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	20
Item 6.	Selected Financial Data	22
Item 7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	23
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	52
Item 8.	Financial Statements and Supplementary Data	54
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	91
Item 9A.	Controls and Procedures	91

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	91
Item 11.	Executive Compensation	92
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	92
Item 13.	Certain Relationships and Related Transactions, and Director Independence	92
Item 14.	Principal Accounting Fees and Services	92

PART IV

Item 15.	Exhibits, Financial Statement Schedules	92

SIGNATURES 93

Amendment No. 3 to Note Agreement
Subsidiaries
Consent of PricewaterhouseCoopers LLP
Certification of Chief Executive Officer
Certification of Chief Financial Officer
Certification of CEO Pursuant to Section 906
Certification of CFO Pursuant to Section 906

Table of Contents

PART I

ITEM 1. BUSINESS

General

Cash America International, Inc. (the Company) provides pawn loans, short-term cash advances, check cashing services and other specialty financial services to individuals. The Company also sells merchandise in its pawnshops, primarily personal property that has been forfeited in connection with its pawn lending operations.

The Company was incorporated in 1984 to engage in the business of owning and operating pawnshops. Since its formation, the Company has significantly broadened the scale and geographic scope of its pawn operations so that, as of December 31, 2007, it was the nation s largest provider of pawn loans and, it believes, is the largest operator of pawnshops in the world. The Company also has expanded its financial services offerings by offering cash advances and other specialty financial services.

As of December 31, 2007, the Company operated 499 pawnshops in 22 states (including 14 pawnshops that are franchises). Most of the Company s pawnshops operate under the Cash America trade name; 44 pawnshops (located in Arizona, California, Nevada and Washington) operate under the SuperPawn trade name.

The Company offers unsecured cash advances through 431 of its pawnshops, in 87 standalone Cash America Payday Advance locations, in 217 locations operated by its wholly-owned subsidiary Cashland Financial Services, Inc. under the Cashland trade name, and, since September 2006, over the internet under the trade name CashNetUSA at www.cashnetusa.com in the United States. In July 2007, the Company began offering short-term unsecured loans to customers who reside throughout the United Kingdom through its internet platform under the trade name QuickQuid at www.quickquid.co.uk.

Through its wholly-owned subsidiary Mr. Payroll Corporation (Mr. Payroll), the Company offers check cashing services through 134 franchised and five company-owned check cashing centers. Many of the Company s pawn and cash advance locations also offer check cashing services and other retail financial services such as stored value cards, money orders and money transfers.

Since its inception, the Company has grown by acquiring existing pawnshops and establishing new ones in locations that can benefit from its centralized management and standardized operations. The Company has pursued a similar strategy for acquiring and establishing cash advance locations since 2003. With both pawnshops and cash advance locations, the Company seeks to increase its share of the consumer loan business and concentrate multiple lending locations in regional and local markets in order to expand market penetration, enhance name recognition and reinforce marketing programs. The Company intends to continue this strategy for acquiring and establishing new lending locations, and intends to offer new products and services at its physical lending locations in order to meet the growing financial services needs of its customers.

The Company began offering cash advances online with its acquisition of CashNetUSA in September 2006. The Company is also actively exploring strategies to increase and enhance its online presence, with the goal of becoming the premier online cash advance provider. The Company also intends to offer new products and services that complement its specialty financial services and to meet the growing financial services needs of its customers both at its physical lending locations and online.

Recent Developments.

On September 15, 2006, the Company, through its wholly-owned subsidiary Cash America Net Holdings, LLC, purchased substantially all of the assets of The Check Giant, LLC (TCG), which offered

short-term cash advances over the internet under the name CashNetUSA for an initial purchase price of approximately $35.9 million in cash and transaction costs of approximately $2.9 million. The Company also agreed to pay up to five supplemental earn-out payments during the two year period after the closing. The amount of each supplemental payment will be based on a multiple of earnings attributable to CashNetUSA s business for the twelve months preceding the date of determining each scheduled supplemental payment, as described more fully in the asset purchase agreement, and will be reduced by amounts previously paid. The supplemental payments are to be paid in cash within 45 days of the measurement date; the Company may, however, at its option pay up to 25% of each supplemental payment in shares of its common stock based on an average share price value as of the measurement date. Management expects all of these supplemental payments will be accounted for as goodwill. Through December 31, 2007, the Company had made two supplemental payments. The first supplemental payment of approximately $33.8 million, which was paid in cash in February 2007, was determined as of December 31, 2006. A second payment of approximately $43.4 million was paid in cash in November 2007 and was determined as of September 30, 2007. Each payment reflected adjustments for amounts previously paid. The operating results of CashNetUSA have been included in the Company s consolidated financial statements from the date of acquisition.

In August 2007, the Company received gross proceeds in the amount of $16.8 million on the sale of notes receivable that it had received in 2004 as part of the proceeds from its sale of Svensk Pantbelåning, its former Swedish pawn lending subsidiary. In September 2004, the Company sold Svensk Pantbelåning to Rutland Partners LLP for cash and two subordinated notes receivable. One of the notes receivable was convertible into approximately 27.7% of the parent company of Svensk Pantbelåning on a fully-diluted basis. In August 2007, Rutland Partners LLP sold Svensk Pantbelåning to a third party who also purchased the notes receivable from the Company. The Company s total proceeds of $16.8 million represent $12.4 million in the repayment of principal, including $0.3 million of accrued interest owed on notes receivable and $4.4 million for the value of its conversion rights under the convertible note. For the year ended December 31, 2007, the Company recognized a pre-tax gain of approximately $6.3 million from the sale of the notes and related rights.

The Company s principal executive offices are located at 1600 West 7th Street, Fort Worth, Texas 76102-2599, and its telephone number is (817) 335-1100. As used in this report, the term Company includes Cash America International, Inc. and its subsidiaries.

Access to Reports. Through its home page at www.cashamerica.com, the Company provides free access to its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such reports are electronically filed with or furnished to the Securities and Exchange Commission (the SEC).

These reports may also be read and copied at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549, or at the SEC website at www.sec.gov. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Pawn Lending and Merchandise Disposition Activities

Pawnshops are convenient sources of consumer loans. They also sell previously-owned merchandise acquired from customers who do not redeem their pawned goods or purchased directly from customers. A pawnshop may also sell items purchased from third-party vendors.

Lending. When receiving a pawn loan from the Company, a customer pledges personal property to the Company as security for the loan. The Company delivers a pawn transaction agreement, commonly referred to as a pawn ticket, to the customer, along with the proceeds of the loan. If the customer does not repay the loan or redeem the property, the customer forfeits the property to the Company, and the Company sells the property.

Table of Contents

The Company relies on the disposition of pawned property to recover the principal amount of an unpaid pawn loan, plus a yield on the investment. It does not have recourse against the customer for the loan. As a result, the customer s creditworthiness is not a factor in the loan decision, and a decision not to redeem pawned property does not affect the customer s personal credit status. Goods pledged to secure pawn loans are generally tangible personal property such as jewelry, tools, televisions and stereos, musical instruments, firearms, and other miscellaneous items. (Pawn transactions can also take the form of a buy-sell agreement involving the actual sale of the property by the customer to the pawnshop with the customer retaining an option to repurchase the property. Pledge and buy-sell transactions are referred to throughout this report as pawn loans.)

The Company contracts for a finance and service charge to compensate it for the use of the funds loaned. The finance and service charge is typically calculated as a percentage of the pawn loan amount based on the size and duration of the transaction, in a manner similar to which interest is charged on a bank loan, and generally ranges from 12% to 300% annually, as permitted by applicable state pawnshop laws. These finance and service charges contributed approximately 17.3% of the Company s total revenue in 2007, 21.5% in 2006 and 23.5% in 2005. The amounts of these charges are disclosed to the customer on the pawn ticket.

The pawn ticket also sets forth, among other items: the name and address of the pawnshop and the customer; the customer s identification number from his or her driver s license or other approved identification; the loan date; the identification and description of the pledged goods, including applicable serial numbers; the amount financed; the maturity date; the total amount that must be paid to redeem the pledged goods on the maturity date; and the annual percentage rate.

The Company sets the amount of a pawn loan generally as a percentage of the pledged personal property s estimated disposition value. The Company relies on many sources to determine the estimated disposition value, including its proprietary automated product valuation system, catalogs, blue books, newspapers, internet research and its (or its employees) experience in disposing of similar items of merchandise in particular pawnshops. The Company does not use a standard or mandated percentage of estimated disposition value in determining the loan amount. Instead, its employees may set the percentage for a particular item and determine whether the item s disposition, if it is forfeited to the pawnshop, would yield a profit margin consistent with the Company s historical experience with similar items. The Company holds the pledged property through the term of the loan, which, unless earlier repaid, renewed or extended, is generally one month plus an additional period (typically 30-60 days) for the customer to redeem his merchandise by paying off the loan and all accrued charges. A majority of the Company s pawn loans are either paid in full with accrued finance and service charges or are renewed or extended by the customer s payment of accrued finance and service charges. If a customer does not repay, renew or extend his loan, the unredeemed collateral is forfeited to the Company and becomes merchandise available for disposition through the Company s pawnshops, wholesale sources, internet sales or through a major gold bullion bank. The Company does not record pawn loan losses or charge-offs because the amount advanced becomes the carrying cost of the forfeited collateral that is to be recovered through the merchandise disposition function described below.

The recovery of the amount advanced and the realization of a profit on the disposition of merchandise depends on the Company s initial assessment of the property s estimated disposition value when the pawn loan is made. While the Company has historically realized profits when disposing of merchandise, the improper assessment of the disposition value could result in the disposition of the merchandise for an amount less than the loan amount. For 2007, 2006 and 2005, the Company experienced profit margins on disposition of merchandise of 37.8%, 38.7% and 38.8%, respectively. Changes in gold prices generally will also increase or decrease the disposition value of jewelry items acquired in pawn transactions and could enhance or adversely affect the Company s profit or recovery of the carrying cost of the acquired collateral.

At December 31, 2007, the Company had approximately 1.2 million outstanding pawn loans totaling $137.3 million, with an average of approximately $116 per loan outstanding.

Presented below is information with respect to pawn loans made, acquired, and forfeited for the pawn lending operations for the years ended December 31, 2007, 2006 and 2005 ($ in thousands):

	2007	2006	2005
Loans made, including loans renewed	**$ 514,797**	$ 474,046	$ 438,955
Loans acquired	**607**	4,365	3,631
Loans repaid	**(218,920)**	(210,177)	(202,015)
Loans renewed	**(79,751)**	(78,942)	(77,878)
Loans forfeited for disposition	**(206,798)**	(177,188)	(156,766)
Net increase in pawn loans outstanding	**$ 9,935**	$ 12,104	$ 5,927

Merchandise Disposition Activities. The Company sells merchandise that pawn customers forfeit when they do not repay or renew their pawn loans. The Company sells most of this merchandise at its pawnshops, but also disposes of some items through wholesale sources, over the internet, or, in the case of some gold jewelry, through a major gold bullion bank. Its pawnshops also sell used goods purchased from the general public and some new merchandise, principally accessory merchandise that complements and enhances the marketability of items such as tools, consumer electronics and jewelry. For the year ended December 31, 2007, $257.9 million of merchandise was added to merchandise held for disposition, of which $206.8 million was from loans not repaid, $50.6 million was purchased from customers and vendors, and $0.4 million was added through acquisitions of pawnshops. Proceeds from disposition of merchandise contributed 42.7% of the Company s total revenue in 2007, 48.1% in 2006 and 50.4% in 2005.

While the Company offers refunds and exchanges for certain merchandise items, it does not provide its customers with express warranties on used merchandise. Customers may purchase merchandise on a layaway plan under which the customer makes an initial cash deposit representing a small portion of the disposition price and pays the balance in regularly scheduled, non-interest bearing payments. The Company segregates the layaway item and holds it until the customer has paid the full disposition price. If the customer fails to make a required payment, the item is placed with the other merchandise held for disposition. At December 31, 2007, the Company held approximately $7.9 million in customer layaway deposits.

The Company provides an allowance for valuation and shrinkage of its merchandise. The amount of this allowance is based on management s evaluation of factors such as historical shrinkage and the quantity, composition and age of merchandise on hand. At December 31, 2007, total pawn operations merchandise on hand was $98.1 million, after deducting an allowance for valuation and shrinkage of merchandise of $2.0 million.

Cash Advance Activities

The Company s cash advance products are generally offered as single payment cash advance loans. These loans generally have a loan term of seven to 45 days and are generally payable on the customer s next payday. The Company originates cash advances in some of its locations and arranges for customers to obtain cash advances from independent third-party lenders in others. The Company also offers cash advances over the internet under the name CashNetUSA in the United States and under the name QuickQuid in the United Kingdom.

In a cash advance transaction, a customer executes a promissory note or other repayment agreement typically supported by that customer s personal check or authorization to debit the customer s checking account via an Automated Clearing House (ACH) transaction. Customers may repay the amount due from the cash advance either with cash, by allowing their check to be presented for collection, or by allowing their checking account to be debited via an ACH transaction. Collection activities are an important

aspect of the cash advance product offering due to the high incidence of unpaid balances beyond stated terms. The Company operates centralized collection centers to coordinate a consistent approach to customer service and collections.

The Company offers cash advances in which it lends its own funds and cash advances originated by independent third-party lenders under a program in which the Company acts as a credit services organization on behalf of consumers in accordance with applicable state laws (the CSO program). Credit services that the Company provides to its customers under the CSO program include arranging loans with independent third-party lenders, assisting in the preparation of loan applications and loan documents, and accepting loan payments at the location where the loans were arranged. For the customer who obtains a loan from a third-party lender through the CSO program, the Company also, as part of its credit services, guarantees, on behalf of the customer, the customer s payment obligations to the third-party lender. A customer who obtains a loan through the CSO program pays the Company a fee for the credit services, including the guaranty, and enters into a contract with the Company governing the credit services arrangement. Losses on cash advances acquired by the Company as a result of its guaranty obligations are the responsibility of the Company. As of December 31, 2007, the CSO program was offered in Texas and Florida. The Company discontinued the CSO program in Michigan in February 2007, and has since offered only cash advances underwritten by the Company to customers in that state. In January 2008, the Company began offering a CSO program in the state of Maryland through its online platform.

The Company offers short-term unsecured cash advances in many of its pawnshops, in standalone Cash America Payday Advance and Cashland locations, and, since its acquisition of CashNetUSA in September 2006, over the internet. As of December 31, 2007, a cash advance product was available in 735 total locations, including 431 pawnshop locations and 304 standalone cash advance locations, and the internet lending operations had cash advances outstanding in 32 states and in the United Kingdom. Cash advance products offered under the CSO program were available at 319 locations and through the CashNetUSA website. Although cash advance transactions may take the form of loans or deferred check deposit transactions, this report refers to cash advances originated both by the Company and by third-party lenders under the CSO program as cash advances for convenience. Cash advance fees earned by the Company contributed approximately 38.2% of the Company s total revenue in 2007, 28.1% in 2006 and 23.8% in 2005.

If the Company collects a delinquent amount that exceeds the amount it has acquired as a result of its guaranty to third-party lenders, the Company is entitled to the excess when collected. Since the Company may not succeed in collecting all of its delinquent accounts, it records an accrual for amounts estimated to be adequate to absorb credit losses from cash advances in the aggregate cash advance portfolio, including those it expects to acquire as a result of its guaranty obligations. As of December 31, 2007, $148.4 million of combined gross cash advances was outstanding, including $34.6 million owned by the third-party lenders that is not included in the Company s consolidated balance sheet. An allowance for losses of $25.7 million has been provided in the consolidated financial statements. The Company also provided accrued losses for third-party owned portfolios of $1.8 million at December 31, 2007, which is included in Accounts payable and accrued expenses in the accompanying consolidated balance sheet. See Item 8. Financial Statements and Supplementary Data, Note 4 of Notes to Consolidated Financial Statements.

Table of Contents

Presented below is information with respect to the cash advance product for the years ended December 31, 2007, 2006 and 2005:

	2007	2006	2005
Locations offering cash advances at end of year	**735**	718	727
On behalf of the Company	**416**	406	352
On behalf of the third-party lenders	**319**	314	340
On behalf of both the Company and the third-party lenders			35
Amount of cash advances written (in thousands)	**$2,024,927**	$1,177,763	$930,335
On behalf of the Company	**$1,370,167**	$ 817,186	$573,916
On behalf of the third-party lenders	**$ 654,760**	$ 360,577	$356,419
Amount of cash advances assigned by the third-party lenders (in thousands)	**$ 93,611**	$ 33,760	$ 67,555
Average cash advance amount written	**$ 413**	$ 381	$ 359

Check Cashing and Other Services

The Company provides check cashing and other financial services through its Mr. Payroll and Cashland subsidiaries and through many of its pawnshop and payday advance locations. Other financial services include the sale of stored value cards, money orders, money transfers and auto insurance, among others. As of December 31, 2007, Mr. Payroll s operations consisted of 134 franchised and five company-owned check cashing centers in 18 states. Each Mr. Payroll franchisee pays royalties to Mr. Payroll based on the gross revenues of check cashing services provided within the franchisee s facility. Cashland provides check cashing in all 217 of its cash advance locations. Aggregate check cashing fees, royalties and other income were 1.8% of the Company s total revenue in 2007 and 2.3% in both 2006 and 2005.

Financial Information on Segments and Areas

Additional financial information regarding the Company s revenues and assets by each of its three operating segments is provided in Note 17 of Notes to Consolidated Financial Statements.

Operations

During 2007, the Company reorganized its operations into three divisions: a Retail Services Division, which operates all of the physical lending locations; the Internet Services Division, which operates the Company s online lending activities; and the Shared Services Division, which provides support and administrative services to the Company s operating divisions and its management. Each Division is headed by a President who reports to the Chief Executive Officer.

Retail Services Unit Management. The Executive Vice President Chief Operating Officer Retail Services Division, who reports to the President of the Retail Services Division, oversees the operations of all of the Company s location-based pawn and cash advance lending operations. Each pawn and cash advance lending location has a unit manager who is responsible for supervising its personnel and assuring that it is managed in accordance with Company guidelines, policies and procedures. Each unit manager reports to a Market Manager, who typically oversees approximately ten unit managers. This operating division consists of five geographic operating regions, each of which is managed by a Region Vice President. Each Market Manager reports to a Region Vice President. Cashland locations are managed by two Operations Directors who oversee its geographic operating regions and report to the Executive Vice President Chief Operating Officer Retail Services Division. Each Cashland Market Manager reports to one of the two Cashland Operations Directors.

Internet Services. CashNetUSA is managed by the President of the Internet Services Division. Management personnel responsible for different areas of CashNetUSA s operations report to its President.

Shared Services. The Shared Services Division provides support and administrative services to the Company s operating divisions and its management.

Trade Names. The Company operates its locations under the trade names Cash America, Payday Advance, Cashland, Mr. Payroll, SuperPawn, CashNetUSA and QuickQuid. The Company s marks Cash America, C SuperPawn, Cash When It Counts, CashNetUSA and Mr. Payroll are registered with the United States Patent and Trademark Office.

Personnel. At December 31, 2007, the Company employed 5,501 persons in its operations, of whom 521 were in executive and administrative functions.

Training. The Company provides extensive training to its store employees through training programs that are tailored to both pawn and cash advance lending locations, and combine classroom instruction, video and online presentations, and on-the-job training. A new employee is introduced to the business through an orientation program and through training programs covering job-appropriate topics such as pawn lending, cash advances, layaways, merchandising, collections, anti-money laundering, compliance, and general administration of unit operations. The experienced store employee receives additional training and an introduction to the fundamentals of management to acquire the skills necessary to move into management positions within the organization. Manager training involves a program that includes additional management principles and more extensive training in topics such as income maximization, recruitment, merchandise control, and cost efficiency.

Future Expansion

The Company has expanded both by acquiring existing pawnshops and cash advance locations (collectively referred to as lending locations) from others and by establishing new start-up locations. The Company intends to continue to increase the number of lending locations in this manner. Its business strategy is to continue expanding its lending business within its existing geographic markets and into other markets that meet its risk/reward considerations. Management believes that such expansion will continue to provide economies of scale in supervision, purchasing, administration and marketing by decreasing the overall average cost of such functions per unit owned. By concentrating multiple lending units in regional and local markets, the Company seeks to expand market penetration, enhance name recognition and reinforce marketing programs.

Since acquiring CashNetUSA, the Company is also actively exploring strategies to increase and enhance its online presence, with the goal of becoming the premier online cash advance provider. The Company continues to evaluate new markets in which to establish its online presence, similar to its entry into the United Kingdom during 2007. The Company also intends to continue evaluating and offering new products and services that complement its specialty financial services both at its physical lending locations and online in order to meet the growing financial services needs of its customers.

When considering acquiring an existing lending location, the Company evaluates the annual volume of loan transactions at that location, the carrying cost of merchandise, outstanding loan balances and lease terms of the facility or, if it is to be purchased, the facility s fair market value. When considering the startup of a new lending location, the Company evaluates the location of the prospective location, whether conditions in the surrounding community indicate a sufficient level of potential customers, and whether a suitable facility is available on acceptable terms.

A new pawnshop can be ready for business within four to six weeks and a new cash advance location can be ready within two to four weeks after the Company has leased or acquired a suitable location and obtained a license. The finish-out of a new location includes the completion of counters, installation of vaults and a security system and the transfer of merchandise from other locations (for pawnshop locations). The approximate start-up costs, which consist of the investment in property and equipment, for recently

Table of Contents

established pawnshops have ranged from $385,000 to $410,000, with an average estimated cost per location of approximately $400,000 in 2007. This amount does not include merchandise transferred from other locations, funds to advance on pawn loans and cash advances or operating expenses. The start-up costs for recently established cash advance locations have ranged from $75,000 to $150,000, with an average estimated cost per location of approximately $100,000 in 2007. This amount does not include funds to advance on cash advances or operating expenses.

The Company s expansion program is subject to numerous unpredictable factors, such as the availability of attractive acquisition candidates or sites on suitable terms, market conditions in the pawn or cash advance business, general economic conditions and other factors described in Item 1A Risk Factors of this report. Among the primary factors that could affect the Company s future planned expansion are:

Statutory Requirements. The Company s ability to add start-up locations depends on the Company s ability to obtain all necessary licenses required to open. In addition, the current statutory and regulatory environment of some states renders expansion into those states impractical. See Business Regulation.

Availability of Real Estate. The Company s ability to add start-up locations is subject to locating satisfactory real estate sites on terms and conditions acceptable to the Company. Factors that could limit the availability of acceptable real estate sites could include changes in general economic conditions, increases in real estate values or market rents, increases in competition for suitable real estate, changing demographics in surrounding areas, restrictive zoning or sign ordinances, limited visibility or accessibility to public streets, and excessive finish-out costs, among other factors.

Competition. Several competing pawnshop and cash advance companies are also pursuing expansion and acquisition programs. A number of smaller companies and private equity firms have also entered the market, particularly for cash advance businesses. While the Company believes that it is the largest pawnshop operator in the United States, and one of the largest cash advance operators, there can be no assurance that it will be more successful than its competitors in pursuing acquisition opportunities and securing attractive start-up locations. Increased competition could also increase prices for attractive acquisition candidates, and could also adversely affect the performance of potential acquisition targets.

Availability of Qualified Unit Management Personnel. The Company s ability to expand may also be limited by the availability of qualified unit management personnel. While the Company seeks to train its existing personnel to enable those capable to assume management positions, there can be no assurance that sufficient qualified personnel will be available to satisfy the Company s needs with respect to its planned expansion.

Capital Requirements. In some states, the Company is required by law to maintain a minimum amount of certain unencumbered net assets per licensed location. The Company s expansion plans will therefore be limited in these states to the extent the Company is able to maintain these required levels of unencumbered net assets. At present, these requirements do not limit the Company s growth opportunities.

Competition

While pawnbroking is a time-honored industry, the pawnshop industry in the United States remains very fragmented, with approximately 10,000 to 15,000 stores nationwide. Most pawnshops are owned by independent operators. The three largest publicly traded pawnshop companies operate approximately 900 total pawnshops in the United States. Management continues to believe that the Company can achieve economies of scale and increased operating efficiencies by increasing the number of stores under operation and utilizing modern point-of-sale systems and proven operating methods.

While the cash advance industry has grown at a rapid rate in the past several years, its growth has begun to moderate and the Company has begun to observe some consolidation. Nonetheless, competition for customers and for desirable locations remains strong. According to the investment banking firm Stephens, Inc., the overall annual growth rate for the cash advance industry is 8% to 10% per year. Despite the concentration of major competitors in the cash advance industry, management believes that opportunities for growth remain in this business. While management believes that the Company is a major provider in the distribution of the cash advance product via the internet, it is difficult to determine exactly how much of the market it provides since all other providers are privately held. Stephens, Inc. estimates that total industry internet loan volume represents 12% of total store and internet volume and is growing at approximately 40% per year.

Regulation

The Company s operations are subject to extensive regulation, supervision and licensing under various federal, state and local statutes, ordinances and regulations. (For a geographic breakdown of operating locations, see Properties.)

Pawnshop Regulations

The Company s pawnshops are regulated by the states in which they are located, and generally must be licensed by the state. The statutes and regulations applicable to pawnshops vary from state to state. In general, however, these statutes and regulations cover the licensing requirements for pawnbrokers and pawnshops and regulate various aspects of the pawn loan, such as the service charges and interest rates that a pawnshop may charge, the maximum amount of a pawn loan, the minimum and/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 pawnshop must hold a pawned item before disposing of it. Some states require that pawn borrowers be notified before their pawned items can be offered for sale. Depending upon the severity of a violation, failure to observe a state s legal requirements for pawnbrokering could result, among other things, in a loss of pawn licenses in that state, the imposition of fines or refunds, and other civil and/or criminal penalties. The Company must also comply with the various disclosure requirements under the Federal Truth in Lending Act (and Federal Reserve Regulation Z under that Act) in connection with disclosing the interest, fees, total payments and annual percentage rate related to each pawn loan transaction. Additional federal regulations governing pawn operations are described in Other Regulations Affecting Lending Operations below. Individual states and municipalities also regulate numerous other aspects of pawnshops operations.

Many of the Company s pawnshops are also subject to municipal ordinances that may require, for example, local licenses or permits and specified recordkeeping procedures, among other things. Most of the Company s pawnshops voluntarily, or pursuant to applicable laws, provide to a law enforcement department having jurisdiction daily information on all transactions involving pawn loans and over-the-counter purchases. These information reports are designed to provide local law enforcement with a detailed description of the goods involved, including serial numbers (if any) and the name and address of the owner obtained from a valid identification card. This information is provided to local law enforcement agencies for processing to determine conflicting claims of rightful ownership. The Company also voluntarily participates with other pawn lenders to provide similar information to a national database available to law enforcement in multiple jurisdictions. Goods held to secure pawn loans or goods purchased that are determined to belong to an owner other than the borrower or seller are subject to recovery by the rightful owner. However, the Company historically has not experienced a material number of claims of this nature, and the claims experienced have not had a material adverse effect on the Company s results of operations.

Each pawnshop that handles firearms must comply with the Brady Handgun Violence Prevention Act (the Brady Act). The Brady Act requires that federally licensed firearms dealers conduct a background check in connection with any disposition of handguns. In addition, the Company must comply with the regulations of the U.S. Department of Justice Bureau of Alcohol, Tobacco and Firearms that

Table of Contents

require each pawnshop dealing in guns to maintain a permanent written record of all receipts and dispositions of firearms.

Cash Advance Regulations

The Company offers cash advance products in most of its pawnshops, in all of its cash advance locations and over the internet. Each state in which the Company originates cash advance products, including cash advances made online, has specific laws dealing with the conduct of this business. The same regulations generally apply to cash advances made both in physical lending locations and online. These laws and regulations typically restrict the amount of finance and service charges that may be assessed and limit the customer s ability to renew or extend these cash advances. In many instances, the regulations also limit the aggregate amount that a provider may advance (and, in some cases, the number of cash advances the provider may make) to any one customer at one time. Cash advance lenders typically must be licensed by the state licensing authority in order to offer the cash advance product in that state. Some states require cash advance lenders to report their customers cash advance activities to a state-wide database, and such lenders are generally restricted from making cash advance loans to customers who may have a certain amount of cash advances outstanding with other lenders. Depending upon the severity of a violation, failure to observe a state s legal requirements for cash advance lending could result, among other things, in a loss of cash advance licenses in that state, the imposition of fines or customer refunds, and other civil and/or criminal penalties. The Company must also comply with the various disclosure requirements under the Federal Truth in Lending Act (and Federal Reserve Regulation Z under that Act) in connection with disclosing the interest, fees, total payments and annual percentage rate related to each cash advance transaction. The cash advance business is also subject to various laws, rules and guidelines relating to the procedures and disclosures needed for debiting a debtor s checking account for amounts due via an ACH transaction. Additionally the Company must comply with the Federal Fair Debt Collection Practices Act and similar state collection practices laws with respect to its collection activities related to cash advances. Furthermore, with respect to online cash advances, the Company is subject to various state and federal e-signature rules mandating that certain disclosures be made and certain steps be followed in order to obtain and authenticate e-signatures. Additional federal regulations governing cash advance businesses are described in Other Regulations Affecting Lending Operations below.

As of December 31, 2007, the Company made available cash advance products offered by third-party lenders in 319 of its 735 locations. Certain states require that the Company be registered or licensed under state law in order to perform the administrative services that it performs for the third-party lenders. The Company began offering the CSO program in Texas, Michigan and Florida in July 2005. The Company discontinued the CSO program in Michigan in February 2007 and has since offered only cash advances underwritten by the Company to customers in that state. In January of 2008, the Company began offering a CSO program in the state of Maryland through its online platform.

Because the regulatory environment related to cash advances is increasingly scrutinized by regulators and legislators, the Company expects that legislation currently pending or that might later be introduced in some state legislatures could, if enacted, further limit or eliminate the availability of the cash advance product in some states, despite the significant demand for it. While the Company, along with other leaders of the cash advance industry, opposes such overly restrictive regulation and legislation, it is possible that some combination of federal and state regulation and legislation could be enacted that could restrict or eliminate the availability of cash advance products in some or all of the states in which the Company offers the cash advance product.

Check Cashing Regulations

The Company offers check cashing services at its Mr. Payroll branded check cashing facilities and at many of its pawnshops and cash advance locations. Some states require check cashing companies to meet minimum bonding or capital requirements and to comply with record-keeping requirements. Some states

require check cashers to be licensed and the Company maintains licenses in states where it cashes checks and that require check cashing licenses. Additionally, some states have adopted ceilings on check cashing fees, those ceilings are in excess of or equal to the fees charged by the Company. Depending upon the severity of a violation, failure to observe a state s legal requirements for check cashing could result, among other things, in a loss of the check cashing license in that state, the imposition of fines or customer refunds, and other civil and/or criminal penalties. In addition to state regulations applicable to check cashing companies, the Company s check cashing activities also must comply with applicable federal regulations. The principal federal regulations governing check cashing operations include the Bank Secrecy Act, the USA PATRIOT Act and the Gramm-Leach-Bliley Act, each of which are described in Other Regulations Affecting Lending Operations below.

Other Regulations Affecting Lending Operations

Under the federal Gramm-Leach-Bliley Act and its underlying regulations as well as under various state laws and regulations relating to privacy and data security, the Company must disclose to its customers its privacy policy and practices, including those relating to the sharing of customers nonpublic personal information with third parties. This disclosure must be made to customers when the customer relationship is established and, in some cases, at least annually thereafter. These regulations also require the Company to ensure that its systems are designed to protect the confidentiality of customers nonpublic personal information and many of these regulations dictate certain actions the Company must take to notify consumers if their personal information is disclosed in an unauthorized manner.

The federal Equal Credit Opportunity Act (ECOA) 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, and requires the Company to notify credit applicants of any action taken on the individual s credit application. The Company must provide a loan applicant a Notice of Adverse Action (NOAA) when the Company denies an application for credit. The NOAA must inform the applicant of: the action taken regarding the credit application; a statement of the ECOA s prohibition on discrimination; the name and address of both the creditor and the federal agency that monitors compliance with the ECOA; and the applicant s right to learn the specific reasons for the denial of credit and the contact information for the parties the applicant can contact to obtain those reasons. The Company provides NOAA letters and maintains records of all such letters as required by the ECOA and its implementing regulations.

Under the USA PATRIOT Act, the Company must maintain an anti-money laundering compliance program covering certain of its business activities. The program must include: (1) the development of internal policies, procedures, and controls; (2) designation of a compliance officer; (3) an ongoing employee training program; and (4) an independent audit function to test the program. The United States Department of the Treasury is expected to issue regulations clarifying the requirements for anti-money laundering compliance programs for the pawnbroking and cash advance industries, but as of February 1, 2008 these regulations had not yet been issued.

Under the Bank Secrecy Act and regulations of the U.S. Department of the Treasury, the Company must report transactions occurring in a single day involving currency in an amount greater than $10,000, and also must retain records for five years for purchases of monetary instruments for cash in amounts from $3,000 to $10,000. In addition, multiple currency transactions must be treated as single transactions if the financial institution has knowledge that the transactions are by, or on behalf of, any person or entity and result in either cash in or cash out totaling more than $10,000 during any one day. In addition, federal regulations require the Company to report suspicious transactions involving at least $2,000 in a single day to the Financial Crimes Enforcement Network of the Treasury Department (FinCen). The regulations generally describe three classes of reportable suspicious transactions one or more related transactions that the business knows, suspects, or has reason to suspect (1) involve funds derived from illegal activity or are intended to hide or disguise such funds, (2) are designed to evade the requirements of the Bank Secrecy Act, or (3) appear to serve no legitimate business or lawful purpose. Management believes that the Company s

point-of-sale system, transaction monitoring systems and employee-training programs permit it to effectively comply with the foregoing requirements.

Certain subsidiaries of the Company are registered as money services businesses with the U.S. Treasury Department and must re-register with FinCEN at least every two years. The Company must also maintain a list of names and addresses of, and other information about, the Company s stores and must make that list available to any requesting law enforcement agency. The store list must be updated at least annually.

A new law passed by the United States Congress in 2006 that became effective in October 2007 caps 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 cash advances, though it does not apply to pawn loans. The Company does not have any loan products bearing an interest rate of 36% per annum or less, as the Company believes the losses and servicing costs associated with lending to the Company s traditional customer base would exceed the revenue produced at that rate. The Company does not expect this new law to have a material adverse effect on the Company s financial condition or results of operations due to the relatively small number of cash advance loans extended to military historically.

Casualty insurance, including burglary coverage, is maintained for each of the Company s locations, and fidelity coverage is maintained on each of the Company s employees.

Management of the Company believes its operations are conducted in material compliance with all federal, state and local laws and ordinances applicable to its business.

The Company s franchising activities may be subject to various state regulations that, among other things, mandate disclosures to prospective franchisees and other requirements.

Executive Officers of the Registrant

The Company elects its executive officers annually. The Company s executive officers, and information about each, are listed below. There is no family relationship between any of the executive officers.

Name	Age	Position
Daniel R. Feehan	57	Chief Executive Officer and President
Albert Goldstein	27	President Internet Services Division
John A. McDorman	60	President Shared Services Division
Jerry A. Wackerhagen	52	President Retail Services Division
Thomas A. Bessant, Jr.	49	Executive Vice President Chief Financial Officer
Robert D. Brockman	53	Executive Vice President Administration
Michael D. Gaston	63	Executive Vice President Corporate Development
James H. Kauffman	63	Executive Vice President Corporate Development
J. Curtis Linscott	42	Executive Vice President General Counsel and Secretary
Dennis J. Weese	44	Executive Vice President & Chief Operating Officer Retail Services Division

Daniel R. Feehan has been Chief Executive Officer and President since February 2000. He served as the Company s President and Chief Operating Officer from January 1990 until February 2000, except that he served as Chairman and Co-Chief Executive Officer of Mr. Payroll Corporation from February 1998 to February 1999 before returning to the position of President and Chief Operating Officer of the Company.

Albert Goldstein, CFA, joined the Company in September 2006 as Executive Vice President Internet Lending, as part of the Company s acquisition of CashNetUSA, and was named President of the

Table of Contents

Internet Services Division in July 2007. Mr. Goldstein founded CashNetUSA in 2004 and was President and CEO from inception of the business until its sale to the Company. Prior to that, Mr. Goldstein was part of Deutsche Bank s Leveraged Finance practice in New York and worked on various secured and unsecured leveraged debt transactions. Mr. Goldstein received a Bachelor of Science in Finance from the University of Illinois in 2002.

John A. McDorman joined the Company in August 2007 as President Shared Services Division. From 1990 until joining the Company, Mr. McDorman was the Managing Partner of Transition Consulting, a consulting firm assisting organizations with professional development and project management. While with Transition Consulting, Mr. McDorman provided consulting services to the Company for several years related to its human resources, organizational structure and the development of its new point-of-sale operating system. Prior to founding Transition Consulting, Mr. McDorman was a partner of Accenture. Mr. McDorman received Bachelor of Science and Masters of Business Administration degrees from Southern Methodist University.

Jerry A. Wackerhagen joined the Company in June 2005 as Executive Vice President Chief Information Officer and was named as President of the Company s Retail Services Division in July 2007. Prior to joining the Company, Mr. Wackerhagen served as Chief Executive Officer of EFT Services, Inc., a consumer financial services company based in Columbia, South Carolina from 2001 to 2005. In 2000, he was Vice President of Sales for Trade Management Company, a joint venture between International Business Machines Corporation, Fluor Corporation and the Royal Bank of Canada. From 1999 to 2000, Mr. Wackerhagen was Vice President and Chief Information Officer at AGL Resources. Prior to that, he served as a Principal at IBM Global Services from 1996 to 1999 and as the Vice President and Chief Information Officer of CMI Industries, Inc. from 1991 to 1996.

Thomas A. Bessant, Jr. has been the Company s Executive Vice President Chief Financial Officer since July 1998. He joined the Company in May 1993 as Vice President Finance and Treasurer and was elected Senior Vice President Chief Financial Officer in July 1997. Prior to joining the Company, Mr. Bessant was a Senior Manager in the Corporate Finance Consulting Services Group of Arthur Andersen & Co., S.C. in Dallas, Texas from June 1989 to April 1993. Prior to that, Mr. Bessant was a Vice President in the Corporate Banking Division of NCNB Texas, N.A., and its predecessor banking corporations, beginning in 1981.

Robert D. Brockman joined the Company in July 1995 as Executive Vice President Administration. Prior to that, he served as Vice President Human Resources of THORN Americas, Inc., the then-operator of the Rent-A-Center chain of rent-to-own stores, from December 1986 to June 1995.

Michael D. Gaston joined the Company in April 1997 as Executive Vice President Business Development. He was named as Executive Vice President Corporate Development in July 2007. Prior to joining the Company, Mr. Gaston served as President of The Gaston Corporation, a private consulting firm, from 1984 to April 1997, and Executive Vice President of Barkley & Evergreen, an advertising and consulting agency, from 1991 to April 1997.

James H. Kauffman has been the Company s Executive Vice President Corporate Development since July 2007. He was the Executive Vice President Financial Services from September 2004 until July 2007. He joined the Company in July 1996 as Executive Vice President Chief Financial Officer. He served as President Cash America Pawn from July 1997 to July 1998, and as Chief Executive Officer of Rent-A-Tire, Inc. from July 1998 until August 2002, and as Executive Vice President International Operations from October 1999 to September 2004. Before joining the Company, Mr. Kauffman served as President of Keystone Steel & Wire Company, a wire products manufacturer, from July 1991 to June 1996.

J. Curtis Linscott became Executive Vice President General Counsel & Corporate Secretary in May 2006. He was appointed Vice President, General Counsel and Corporate Secretary in May 2005. Mr. Linscott joined the Company in 1995, serving as Associate General Counsel and Vice President Associate

General Counsel. Before joining the Company, he was in private law practice with Kelly, Hart & Hallman, P.C., Fort Worth, Texas, for five years. He received his law degree from the University of Kansas School of Law in 1990.

Dennis J. Weese joined the Company as Executive Vice President & Chief Operating Officer Retail Services Division in September 2007. Prior to joining the Company, Mr. Weese was Chief Operating Officer of On The Border Mexican Grill and Cantina, a restaurant company within the Brinker International family of restaurants from July 2004 until September 2007. He also served in a number of Vice President and Director Level positions at Limited Inc. from May 2001 until July 2004, and with YUM Brands from September 1990 to May 2001. He is a graduate of the United States Military Academy, and has earned a master s degree in business administration from Auburn University and a master s degree in business management from the University of Central Texas.

ITEM 1A. RISK FACTORS

Important risk factors that could cause results or events to differ from current expectations are described below. These factors are not intended to be an all-encompassing list of risks and uncertainties that may affect the operations, performance, development and results of the Company s business.

A decreased demand for the Company s products and specialty financial services and failure of the Company to adapt to such decrease could adversely affect results. Although the Company s products and services are a staple of its customer base, the demand for a particular product or service may decrease due to a variety of factors, such as the availability of competing products, changes in customers financial conditions, or regulatory restrictions that reduce customer access to particular products. Should the Company fail to adapt to a significant change in its customers demand for, or access to, its products, the Company s revenues could decrease significantly. Even if the Company does make adaptations, customers may resist or may reject products whose adaptations make them less attractive or less available. In any event, the effect of any product change on the results of the Company s business may not be fully ascertainable until the change has been in effect for some time. In particular, the Company has changed, and will continue to change, some of the cash advance products and services it offers due to regulatory guidelines that have a direct or indirect effect on the governance of the Company and the products it offers.

Adverse changes in laws or regulations affecting the Company s short-term consumer loan services could negatively impact the Company s operations. The Company s products and services are subject to extensive regulation and supervision under various federal, state and local laws, ordinances and regulations. The Company faces the risk that restrictions or limitations resulting from the enactment, change, or interpretation of laws and regulations could negatively affect the Company s business activities. In particular, short-term consumer loans have come under increased regulatory scrutiny in recent years that has resulted in increasingly restrictive regulations. Some regulatory activity may limit the number of short-term loans that customers may receive or have outstanding, and regulations adopted by some states requiring that all borrowers of certain short-term loan products be listed on a database and limiting the number of such loans they may have outstanding; and regulations limiting the availability of the Company s cash advance products to active duty military personnel. Certain consumer advocacy groups and federal and state legislators have also asserted that laws and regulations should be tightened so as to severely limit, if not eliminate, the availability of certain cash advance products to consumers, despite the significant demand for it. Legislation relating to cash advances is pending in some state legislatures. Adoption of such federal and state regulations or legislation could restrict, or even eliminate, the availability of cash advance products in some or all of the states in which the Company offers a short term cash advance product.

In addition to state and federal laws and regulations, our business is subject to various local rules and regulations such as local zoning regulation and permit licensing. We have seen efforts by local jurisdictions to restrict pawnshop operations and cash advance lending through the use of local zoning

and permitting laws. Actions taken in the future by local governing bodies to require special use permits for, or impose other restrictions on pawnshops or cash advance lenders could have a material adverse effect on our business, results of operations and financial condition.

Finally, in recent years, the cash advance industry has been subject to regulatory proceedings, class action lawsuits and other litigation concerning the offering of cash advances, and we could suffer losses from interpretations of state laws in those lawsuits or regulatory proceedings, even if we are not a party to those proceedings.

The failure of third-parties who provide products, services or support to the Company to maintain their products, services or support could disrupt Company operations or result in a loss of revenue. The Company s cash advance revenues depend in part on the willingness and ability of unaffiliated third-party lenders to make loans to customers and with other third parties to provide services to facilitate lending and loan underwriting in both the storefront and online cash advance channels. The loss of the relationship with any of these third parties, and an inability to replace them, or the failure of these third parties to maintain quality and consistency in their programs or services could cause the Company to lose customers and substantially decrease the revenues and earnings of the Company s cash advance business. The Company makes other non-cash advance products and services provided by various third-party vendors available to its customers. If a third-party provider fails to provide its product or service or to maintain its quality and consistency, the Company could lose customers and related revenue from those products or services. The Company also uses third parties to support and maintain certain of its communication systems and computerized point-of-sale and information systems. The failure of such third parties to fulfill their support and maintenance obligations could disrupt the Company s operations.

The Company s business depends on the uninterrupted operation of the Company s facilities, systems and business functions, including its information technology and other business systems. The Company s business, particularly its online business, depends highly upon its employees ability to perform, in an efficient and uninterrupted fashion, necessary business functions, such as Internet support, call centers, and processing and making cash advances. A shut-down of or inability to access the facilities in which the Company s online operations and other technology infrastructure are based, such as a power outage, a failure of one or more of its information technology, telecommunications or other systems, or sustained or repeated disruptions of such systems could significantly impair its ability to perform such functions on a timely basis and could result in a deterioration of the Company s ability to write and process online cash advances, provide customer service, perform collections activities, or perform other necessary business functions.

A security breach of the Company s computer systems could also interrupt or damage its operations or harm its reputation. In addition, the Company could be subject to liability if confidential customer information is misappropriated from its computer systems. Despite the implementation of significant security measures these systems may still be vulnerable to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. Any compromise of security could deter people from entering into transactions that involve transmitting confidential information to the Company s systems, which could have a material, adverse effect on the Company s business.

The Company may be unable to protect its proprietary technology or keep up with that of its competitors. The success of the Company s business, particularly its online business, depends to a significant degree upon the protection of its software and other proprietary intellectual property rights. The Company may be unable to deter misappropriation of its proprietary information, detect unauthorized use or take appropriate steps to enforce its intellectual property rights. In addition, competitors could, without violating the Company s proprietary rights, develop technologies that are as good as or better than its technology. The Company s failure to protect its

software and other proprietary intellectual property rights or to develop technologies that are as good as its competitors

could put the company at a disadvantage to its competitors. Any such failures could have a material adverse effect on the Company s business.

The Company s growth is subject to external factors and other circumstances over which the Company has limited control or that are beyond the Company s control. These factors and circumstances could adversely affect the Company s ability to grow through the opening and acquisition of new operating units. The Company s expansion strategy includes acquiring existing stores and opening new ones. The success of this strategy is subject to numerous external factors, such as the availability of attractive acquisition candidates, the availability of sites with acceptable restrictions and suitable terms, the Company s ability to attract, train and retain qualified unit management personnel, the ability to access capital and the ability to obtain required government permits and licenses. Some of these factors are beyond the Company s control. The failure to execute this expansion strategy would adversely affect the Company s ability to expand its business and could materially adversely affect its business, prospects, results of operations and financial condition.

Increased competition from banks, savings and loans, other short-term consumer lenders, and other entities offering similar financial services, as well as retail businesses that offer products and services offered by the Company, could adversely affect the Company s results of operations. The Company has many competitors to its core lending and merchandise disposition operations. Its principal competitors are other pawnshops, cash advance companies, online lenders, consumer finance companies and other financial institutions that serve the Company s primary customer base. Many other financial institutions or other businesses that do not now offer products or services directed toward the Company s traditional customer base, many of whom may be much larger than the Company, could begin doing so. Significant increases in the number and size of competitors for the Company s business could result in a decrease in the number of cash advances or pawn loans that the Company writes, resulting in lower levels of revenues and earnings in these categories. Furthermore, the Company has many competitors to its retail operations, such as retailers of new merchandise, retailers of pre-owned merchandise, other pawnshops, thrift shops, online retailers and online auction sites. Increased competition or aggressive marketing and pricing practices by these competitors could result in decreased revenues, margins and turnover rates in the Company s retail operations.

A sustained deterioration in the economy could reduce demand for the Company s products and services and result in reduced earnings. A sustained deterioration in the economy could cause deterioration in the performance of the Company s pawn loan or cash advance portfolios and in consumer demand for pre-owned merchandise such as that sold in the Company s pawnshops. An economic slowdown could result in an increase in loan defaults in our cash advance products. During such a slowdown, the Company could be required to tighten its underwriting standards, which would reduce cash advance balances, and could face more difficulty in collecting defaulted cash advances, which could lead to an increase in loan losses. While the credit risk for much of the Company s pawn lending is mitigated by the collateralized nature of pawn lending, a sustained deterioration in the economy could reduce the demand and resale value of pre-owned merchandise and reduce the amount that the Company could effectively lend on an item of collateral. Such reductions could adversely affect pawn loan balances, pawn loan redemption rates, inventory balances, inventory mixes and gross profit margins.

The Company s earnings and financial position are subject to changes in the value of gold. A significant or sudden decline in the price of gold could materially affect the Company s earnings. A significant portion of the Company s pawn loans are secured by gold jewelry. The Company s pawn service charges, sales proceeds and ability to dispose of excess jewelry inventory at an acceptable margin depend on the value of gold. A significant decline in gold prices could result in decreases in merchandise sales margins, in inventory valuations, in the value of collateral securing outstanding pawn loans, and in the balance of pawn loans secured by gold jewelry.

Table of Contents

Adverse real estate market fluctuations could affect the Company s profits. The Company leases most of its locations. A significant rise in real estate prices could result in an increase in store lease costs as the Company opens new locations and renews leases for existing locations.

The Company s foreign operations subject the Company to foreign exchange risk. The Company is subject to the risk of unexpected changes in foreign currency exchange rates by virtue of its loans to United Kingdom residents. Our results of operations and certain of our intercompany balances associated with our United Kingdom loans are denominated in British pounds and are, as a result, exposed to foreign exchange rate fluctuations. Upon consolidation, as exchange rates vary, net sales and other operating results may differ materially from expectations, and we may record significant gains or losses on the remeasurement of intercompany balances.

Changes in the capital markets or the Company s financial condition could reduce available capital. The Company regularly accesses the debt capital markets to refinance existing debt obligations and to obtain capital to finance growth. Efficient access to these markets is critical to the Company s ongoing financial success; however, the Company s future access to the debt capital markets could become restricted due to a variety of factors, including a deterioration of the Company s earnings, cash flows, balance sheet quality, or overall business or industry prospects, a significant deterioration in the state of the capital markets or a negative bias toward the Company s industry by market participants.

Media reports and public perception of short-term consumer loans as being predatory or abusive could materially adversely affect the Company s cash advance business. In recent years, consumer advocacy groups and some media reports have advocated governmental action to prohibit or place severe restrictions on short-term consumer loans. The consumer advocacy groups and media reports generally focus on the cost to a consumer for this type of loan, which is alleged to be higher than the interest typically charged by banks to consumers with better credit histories. Though the consumer advocacy groups and media reports do not discuss the lack of viable alternatives for our customers borrowing needs or the comparative cost to the customer when alternatives are not available, they do typically characterize these short-term consumer loans as predatory or abusive despite the large customer demand for these loans. If the negative characterization of these types of loans becomes increasingly accepted by consumers, demand for the cash advance products could significantly decrease, which could materially affect the Company s results of operations and financial condition. Additionally, if the negative characterization of these types of loans is accepted by legislators and regulators, the Company could become subject to more restrictive laws and regulations that could materially adversely affect the Company s financial condition and results of operations.

Other risk factors are discussed under Quantitative and Qualitative Disclosures about Market Risk.

Other risks that are indicated in the Company s filings with the Securities and Exchange Commission may apply as well.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

ITEM 2. PROPERTIES

As of December 31, 2007, the Company owned the real estate and buildings for nine of its pawnshop locations. The Company s headquarters are located in a nine-story building adjacent to downtown Fort Worth, Texas. The Company purchased its headquarters building in January 1992. CashNetUSA s cash advance operations are located in a leased space in Chicago, Illinois. All of the Company s other locations are leased under non-cancelable operating leases with terms ranging from 3 to 15 years.

The following table sets forth, as of December 31, 2007**,** the number of Company-owned pawn and cash advance locations by state and states in which the Company has an internet lending presence. The Company also operates five Company-owned Mr. Payroll check cashing locations in Texas.

	Pawnshop Locations	Cash Advance Locations	Internet Lending Presence
Alabama	9		Y
Alaska	5		Y
Arizona	11		Y
California	1	33	Y
Colorado	5		Y
Delaware			Y
Florida	68		Y
Georgia	17		
Hawaii			Y
Idaho			Y
Illinois	13	18	Y
Indiana	13	32	
Kansas			Y
Kentucky	10	16	
Louisiana	20		Y
Michigan		12	Y
Minnesota			Y
Mississippi			Y
Missouri	17		Y
Montana			Y
Nevada	27		Y
New Hampshire			Y
New Mexico			Y
North Carolina	10		
North Dakota			Y
Ohio	6	139	Y
Oklahoma	15		Y
Oregon			Y
Pennsylvania			Y
Rhode Island			Y
South Carolina	6		
South Dakota			Y
Tennessee	22		
Texas	198	54	Y
Utah	7		Y
Washington	5		Y

Wisconsin			Y
Wyoming			Y
Total	485	304	
Total states	21	7	32

The Company considers its equipment, furniture and fixtures and owned buildings to be in good condition. The Company has its own construction supervisors who engage local contractors to selectively remodel and upgrade its lending facilities throughout the year.

The Company s leases typically require the Company to pay all maintenance costs, insurance costs and property taxes. For additional information concerning the Company s leases, see Item 8. Financial Statements and Supplementary Data, Note 10 of Notes to Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

On August 6, 2004, James E. Strong filed a purported class action lawsuit in the State Court of Cobb County, Georgia against Georgia Cash America, Inc., Cash America International, Inc. (together with Georgia Cash America, Inc., Cash America), Daniel R. Feehan, and several unnamed officers, directors, owners and stakeholders of Cash America. The lawsuit alleges many different causes of action, among the most significant of which is that Cash America made illegal payday loans in Georgia in violation of Georgia s usury law, the Georgia Industrial Loan Act and Georgia s Racketeer Influenced and Corrupt Organizations Act. Community State Bank (CSB) for some time made loans to Georgia residents through Cash America s Georgia operating locations. The complaint in this lawsuit claims that Cash America was the true lender with respect to the loans made to Georgia borrowers and that CSB s involvement in the process is a mere subterfuge. Based on this claim, the suit alleges that Cash America is the de facto lender and is illegally operating in Georgia. The complaint seeks unspecified compensatory damages, attorney s fees, punitive damages and the trebling of any compensatory damages. A previous decision by the trial judge to strike Cash America s affirmative defenses based on arbitration (without ruling on Cash America s previously filed motion to compel arbitration) was upheld by the Georgia Court of Appeals, and on September 24, 2007, the Georgia Supreme Court declined to review the decision. The case has been returned to the State Court of Cobb County, Georgia, where Cash America filed a motion requesting that the trial court rule on Cash America s pending motion to compel arbitration and stay the State Court proceedings. The Court denied the motion to stay and ruled that the motion to compel arbitration was rendered moot after the discovery sanction was handed down by the Court. Cash America is currently in the process of appealing these latest orders from the Court. If Cash America s further attempts to enforce the arbitration agreement are unsuccessful, discovery relating to the propriety of continuing this suit as a class action would proceed. Cash America believes that the plaintiffs claims in this suit are without merit and is vigorously defending this lawsuit.

Cash America and CSB also commenced a federal lawsuit in the U.S. District Court for the Northern District of Georgia seeking to compel Plaintiffs to arbitrate their claims against Cash America and CSB. The U.S. District Court dismissed the federal action for lack of subject matter jurisdiction, and Cash America and CSB appealed the dismissal of their complaint to the U.S. Court of Appeals for the 11th Circuit. The 11th Circuit issued a panel decision on April 27, 2007 reversing the district court s dismissal of the action and remanding the action to the district court for a determination of the issue of the enforceability of the parties arbitration agreements. Plaintiff requested the 11th Circuit to review this decision en banc and this request has been granted. The en banc rehearing took place on February 26, 2008. The Strong litigation is still at an early stage, and neither the likelihood of an unfavorable outcome nor the ultimate liability, if any, with respect to this litigation can be determined at this time.

On October 23, 2007, a complaint, styled *Ryan Bonner, individually and on behalf of all others similarly situated, v. Cash America International, Inc., Cash America Net of Nevada, LLC, Cash America Net of Pennsylvania, LLC and Cash America of PA, LLC, d/b/a CashNetUSA.com* (collectively, CashNetUSA), was filed in the United States District Court for the Eastern District of Pennsylvania, alleging, on behalf of a purported class, that the defendants located outside Pennsylvania had engaged in unfair or deceptive acts or practices by making loans to Pennsylvania consumers in violation of Pennsylvania law, including its usury, fair credit extension, and unfair trade practices and consumer protection laws. The complaint also alleges that the arbitration, class action waiver and dispute resolution provisions contained in the loan documents involved in these loans are unenforceable. The complaint seeks

Table of Contents

a declaratory judgment that the lending business conducted by CashNetUSA is illegal under Pennsylvania law and a declaration that loan agreements with Pennsylvania residents are void and unenforceable, an injunction barring continuing alleged violations (including enjoining collection on loans currently outstanding from Pennsylvania residents) and an award of monetary damages (including treble damages), penalties, costs and attorneys fees. CashNetUSA believes that the plaintiff s claims in this suit are without merit and plans to vigorously defend against all of the asserted allegations. CashNetUSA has filed a Motion to Compel Arbitration seeking to compel individual arbitration of the plaintiff s claims and is presently awaiting plaintiff s response to this motion.

The Company is a defendant in certain lawsuits encountered in the ordinary course of its business. Certain of these matters are covered to an extent by insurance. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company s financial position, results of operations or liquidity.

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

There were no matters submitted to the Company s security holders during the fourth quarter ended December 31, 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Market for Registrant s Common Equity

The New York Stock Exchange is the principal exchange on which Cash America International, Inc. common stock is traded under the symbol CSH . There were 644 stockholders of record (not including individual participants in security listings) as of February 14, 2008. The high, low and closing sales prices of common stock as quoted on the composite tape of the New York Stock Exchange and cash dividend declared per share during 2007 and 2006 were as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2007				
High	**$47.71**	**$44.45**	**$40.65**	**$39.48**
Low	**37.98**	**38.76**	**29.84**	**30.20**
Close	**41.00**	**39.65**	**37.60**	**32.30**
Cash dividend declared per share	**0.035**	**0.035**	**0.035**	**0.035**
2006				
High	$30.05	$34.87	$40.00	$47.98
Low	22.80	28.76	30.67	37.77
Close	30.02	32.00	39.08	46.90
Cash dividend declared per share	0.025	0.025	0.025	0.025

Table of Contents

(c) Issuer Purchases of Equity Securities

The following table provides the information with respect to purchases made by the Company of shares of its common stock during each of the months in 2007:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan (1)
January 1 to January 31	3,025(2)	$ 40.86		1,064,700
February 1 to February 28	32,745(2)	42.81	25,000	1,039,700
March 1 to March 31	30,336(2)	39.92	30,000	1,009,700
Total first quarter	66,106	41.39	55,000	
April 1 to April 30	325(3)	42.43		1,009,700
May 1 to May 31	35,418(3)	41.68	35,000	974,700
June 1 to June 30	62,185(3)	40.47	61,900	912,800
Total second quarter	97,928	40.91	96,900	
July 1 to July 31	20,168(4)	37.26	20,000	892,800
August 1 to August 31	396,183(4)	33.11	395,700	497,100
September 1 to September 30	50,617(4)	34.48	50,000	447,100
Total third quarter	466,968	33.44	465,700	
October 1 to October 31	208(5)	35.62		1,500,000
November 1 to November 30	50,446(5)	35.16	50,000	1,450,000
December 1 to December 31	334(5)	33.76		1,450,000
Total fourth quarter	50,988	35.04	50,000	
Total 2007	681,990	$ 35.40	667,600	

(1) On April 20, 2005, the Board of Directors authorized the Company s repurchase of up

to a total of 1,500,000 shares of its common stock. On October 24, 2007, the Board established a new authorization for the repurchase of up to a total of 1,500,000 shares of its common stock and ended the 2005 authorization.

(2) Include shares purchased on behalf of participants relating to the Company s Non-Qualified Savings Plan of 173, 947, and 336 shares for the months of January, February and March, respectively, and shares received as partial tax payments for shares issued under stock-based compensation plans of 2,852 and 6,798 shares for the months of January and February, respectively.

(3) Include shares purchased on behalf of

participants relating to the Company s Non-Qualified Savings Plan of 325, 418, and 285 shares for the months of April, May and June, respectively.

(4) Include shares purchased on behalf of participants relating to the Company s Non-Qualified Savings Plan of 168, 483, and 617 shares for the months of July, August and September, respectively.

(5) Include shares purchased on behalf of participants relating to the Company s Non-Qualified Savings Plan of 208, 446, and 190 shares for the months of October, November and December, respectively, and shares received as partial tax payments for shares issued under stock-based compensation plans of 144 for

December.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

Five-Year Summary of Selected Consolidated Financial Data of Continuing Operations

(dollars in thousands, except per share data)

(Unaudited)

	Year Ended December 31,				
	2007	2006	2005	2004	2003
Statement of Income Data [a]					
Total revenue	**$ 929,394**	$ 694,514	$ 595,763	$ 470,955	$ 390,044
Income from operations	**133,509**	104,019	80,712	61,413	41,819
Income from continuing operations before income taxes [b]	**124,765**	96,168	70,882	55,023	34,325
Income from continuing operations	**79,346**	60,940	44,821	34,965	22,030
Income from continuing operations per share:					
Basic	**$ 2.68**	$ 2.05	$ 1.53	$ 1.23	$ 0.86
Diluted	**$ 2.61**	$ 2.00	$ 1.48	$ 1.18	$ 0.83
Dividends declared per share	**$ 0.14**	$ 0.10	$ 0.10	$ 0.37	$ 0.07
Weighted average shares:					
Basic	**29,643**	29,676	29,326	28,468	25,649
Diluted	**30,349**	30,532	30,206	29,584	26,688
Balance Sheet Data at End of Year [a]					
Pawn loans	**$ 137,319**	$ 127,384	$ 115,280	$ 109,353	$ 81,154
Cash advances, net	**88,148**	79,975	40,704	36,490	28,401
Merchandise held for disposition, net	**98,134**	87,060	72,683	67,050	49,432
Working capital	**302,275**	259,813	232,556	209,463	156,142
Total assets	**904,644**	776,244	598,648	555,165	377,194
Total debt	**288,777**	219,749	165,994	166,626	148,040
Stockholders equity	**496,602**	440,728	374,716	333,936	276,493
Ratio Data at End of Year [a]					
Current ratio	**3.8x**	3.2x	4.8x	4.6x	4.3x
Debt to equity ratio	**58.2%**	49.9%	44.3%	49.9%	53.5%
Owned and Franchised Locations at Year End [a]					
Pawn lending operations	**499**	487	464	452	405
Cash advance operations [c]	**304**	295	286	253	154
Check cashing operations [d]	**139**	136	136	134	135
Total	**942**	918	886	839	694

[a] In September 2004, the Company

sold its foreign pawn lending operations. The amounts for all periods presented have been reclassified to reflect the foreign operations as discontinued operations.

(b) See Management s Discussion and Analysis of Financial Condition and Results of Operations and Financial Statements and Supplementary Data for amounts related to the gain on the sale of foreign notes in 2007 and the gain from the early termination of a lease contract in 2006.

(c) Includes cash advance locations only.

(d) Mr. Payroll locations only.

Table of Contents

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company provides specialty financial services to individuals. These services include secured non-recourse loans, commonly referred to as pawn loans, to individuals through its pawn lending operations, unsecured cash advances in selected lending locations and on behalf of independent third-party lenders in other locations, and check cashing and related financial services through many of its lending locations and through franchised and Company-owned check cashing centers. The pawn loan portfolio generates finance and service charges revenue. A related activity of the pawn lending operations is the disposition of collateral from unredeemed pawn loans. In September 2006, the Company began offering online cash advances over the internet and began arranging loans online on behalf of independent third-party lenders in November 2006 through its internet distribution platform. In July 2007, the Company began offering short-term unsecured loans to customers who reside throughout the United Kingdom through its internet distribution platform.

On September 15, 2006, the Company, through its wholly-owned subsidiary Cash America Net Holdings, LLC, purchased substantially all of the assets of The Check Giant LLC (TCG), which offered short-term cash advances exclusively over the internet under the name CashNetUSA. The Company paid an initial purchase price of approximately $35.9 million in cash at closing and transaction costs of approximately $2.9 million.

As of December 31, 2007, the Company had 942 total locations offering products and services to its customers. The Company operates in three segments: pawn lending, cash advance and check cashing.

As of December 31, 2007, the Company s pawn lending operations consisted of 499 pawnshops, including 485 Company-owned units and 14 unconsolidated franchised units located in 22 states in the United States. During the three-year period ended December 31, 2007, the Company acquired 33 operating units, established 15 locations, and combined or closed four locations for a net increase in owned pawn lending units of 44. In addition, it acquired or opened seven franchise locations, and either terminated or converted four locations to Company-owned locations.

At December 31, 2007, the Company s cash advance operations consisted of 304 cash advance locations in seven states and its internet distribution channel. For the three year period ended December 31, 2007, the Company acquired one location, established 60 locations and combined or closed 10 locations for a net increase in cash advance locations of 51. CashNetUSA serves multiple markets through its internet distribution channel and had cash advances outstanding in 32 states and in the United Kingdom as of December 31, 2007.

As of December 31, 2007, the Company s check cashing operations consisted of 134 franchised and five company-owned check cashing centers in 18 states. For the three year period ended December 31, 2007, the Company established 31 locations and combined or closed 26 locations for a net increase in check cashing locations of five.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management s Discussion and Analysis of Financial Condition and Results of Operations is based on the Company s 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 management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition,

merchandise held for disposition, allowance for losses on cash advances, long-lived and intangible assets, income taxes, contingencies and litigation. Management bases its estimates on historical experience, empirical data and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. The development and selection of the critical accounting policies and the related disclosures below have been reviewed with the Audit Committee of the Board of Directors.

Management believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Finance and service charges revenue recognition. The Company accrues finance and service charges revenue only on those pawn loans that the Company deems collectible based on historical loan redemption statistics. Pawn loans written during each calendar month are aggregated and tracked for performance. The gathering of this empirical data allows the Company to analyze the characteristics of its outstanding pawn loan portfolio and estimate the probability of collection of finance and service charges. If the future actual performance of the loan portfolio differs significantly (positively or negatively) from expectations, revenue for the next reporting period would be likewise affected.

Due to the short-term nature of pawn loans, the Company can quickly identify performance trends. For 2007, $159.5 million, or 99.1%, of recorded finance and service charges represented cash collected from customers and the remaining $1.5 million, or 0.9%, represented an increase in the finance and service charges receivable during the year. At the end of the current year and based on the revenue recognition method described above, the Company had accrued $27.0 million of finance and service charges receivable. Assuming the year-end accrual of finance and service charges revenue was overestimated by 10%, finance and service charges revenue would decrease by $2.7 million in 2008 and net income would decrease by $1.8 million. Some or all of the decrease would potentially be mitigated through the profit on the disposition of the related forfeited loan collateral.

Merchandise held for disposition. Merchandise held for disposition consists primarily of forfeited collateral from pawn loans not repaid. The carrying value of the forfeited collateral is stated at the lower of cost (cash amount loaned) or market. Management provides an allowance for shrinkage and valuation based on its evaluation of the merchandise. Because pawn loans are made without recourse to the borrower, the Company does not investigate or rely upon the borrower s creditworthiness, but instead bases its lending decision on an evaluation of the pledged personal property. The amount the Company is willing to finance is typically based on a percentage of the pledged personal property s estimated disposition value. The Company uses numerous sources in determining an item s estimated disposition value, including the Company s automated product valuation system as well as catalogs, blue books, newspapers, internet research and previous experience with similar items. The Company performs a physical count of its merchandise in each location on a cyclical basis and reviews the composition of inventory by category and age in order to assess the adequacy of the allowance, which was $2.0 million, representing 2.0% of the balance of merchandise held for disposition at December 31, 2007. Adverse changes in the disposition value of the Company s merchandise may require an increase in the valuation allowance.

Allowance for losses on cash advances. The Company maintains an allowance for losses on Company-owned cash advances (including fees and interest) and accrues losses for third-party lender-owned cash advances at a level estimated to be adequate to absorb credit losses in the outstanding combined cash advance portfolio. The cash advance product typically serves a customer base with high risk credit performance histories. These advances are typically single payment cash advances with a typical term of seven to 45 days. Cash advances written during each calendar month are aggregated and tracked to develop a performance history. The Company stratifies the outstanding portfolio by age, delinquency and stage of collection when assessing the adequacy of the allowance for losses. The Company uses current portfolio performance, as well as the performance of cash advances made during the same calendar period twelve months earlier to develop expected loss rates used in determining the allowance. Increased defaults and

credit losses, which could occur during a national or regional economic downturn or for other reasons, could require an increase in the allowance. Since cash advances are unsecured, unlike pawn loans, the portfolio s performance depends on the Company s ability to collect on defaulted loans. The Company believes it effectively manages the risks inherent in this product by utilizing a variety of underwriting criteria to evaluate prospective borrowers, maintaining a customer database to track individual borrowers performance and by closely monitoring the performance of the portfolio. Any remaining unpaid balance of a cash advance is charged off once it has been in default for 60 days or sooner if deemed uncollectible. At December 31, 2007, allowance for losses on cash advances was $25.7 million and accrued losses on third-party lender-owned cash advances were $1.8 million, in aggregate representing 18.5% of the combined cash advance portfolio.

During fiscal year 2007, the cash advance loss provision for the combined cash advance portfolio, which increases the allowance for loan losses, was $155.2 million and reflects 7.7% of gross combined cash advances written by the Company and third-party lenders. If future loss rates increased, or decreased, by 10% (0.77%) from 2007 levels, the cash advance loss provision would increase, or decrease, by $15.5 million and net income would decrease, or increase, by $10.1 million, assuming the same volume of cash advances written in 2007.

Valuation of long-lived and intangible assets. The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets having an indefinite useful life are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. Factors that could trigger an impairment review include significant underperformance relative to expected historical or projected future cash flows, significant changes in the manner of use of acquired assets or the strategy for the overall business, and significant negative industry trends. When management determines that the carrying value of long-lived and intangible assets may not be recoverable, impairment is measured based on the excess of the assets carrying value over the estimated fair value.

Income taxes. As part of the process of preparing its consolidated financial statements, the Company is required to estimate income taxes in each of the jurisdictions in which it operates. This process involves estimating the actual current tax exposure together with assessing temporary differences in recognition of income for tax and accounting purposes. These differences result in deferred tax assets and liabilities and are included within the Company s consolidated balance sheets. Management must then assess the likelihood that the deferred tax assets will be recovered from future taxable income and, to the extent it believes that recovery is not likely, it must establish a valuation allowance. An expense, or benefit, is included within the tax provision in the statement of operations for any increase, or decrease, in the valuation allowance for a given period.

Effective January 1, 2007, the Company began accounting for uncertainty in income taxes recognized in the financial statements in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 requires that a more-likely-than-not threshold be met before the benefit of a tax position may be recognized in the financial statements and prescribes how such benefit should be measured. Management must evaluate tax positions taken on the Company s tax returns for all periods that are open to examination by taxing authorities and make a judgment as to whether and to what extent such positions are more likely than not to be sustained based on merit.

Management judgment is required in determining the provision for income taxes, the deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. Management judgment is also required in evaluating whether tax benefits meet the more-likely-than-not threshold for recognition under FIN 48.

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and emphasizes that fair value is a market-based measurement, not an entity-specific measurement. It establishes a fair value hierarchy and expands disclosures about fair value measurements in both interim and annual periods. SFAS 157 will be effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In December 2007, FASB issued proposed FASB Staff Position (FSP) FAS 157-b, which delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the financial statements on a nonrecurring basis. The proposed FSP partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The Company does not expect SFAS 157 to have a material effect on the Company s financial position or results of operations.

In February 2007, FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose, at specified election dates, to measure eligible items at fair value (the fair value option) and requires an entity to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. SFAS 159 will be effective for fiscal years beginning after November 15, 2007. The Company does not expect SFAS 159 to have a material effect on the Company s financial position or results of operations.

In December 2007, FASB issued Statement of Financial Accounting Standards No. 141, *Business Combinations Revised* (SFAS 141(R)). SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination: recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase price; and, determines what information to disclose to enable users of the consolidated financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. In the past, the Company has completed significant acquisitions. The application of SFAS 141(R) will cause management to evaluate future transaction returns under different conditions, particularly the near term and long term economic impact of expensing transaction costs up front.

Table of Contents

RESULTS OF CONTINUING OPERATIONS

The following table sets forth the components of consolidated statements of operations as a percentage of total revenue for the periods indicated.

	Year Ended December 31		
	2007	2006	2005
Revenue			
Finance and service charges	**17.3%**	21.5%	23.5%
Proceeds from disposition of merchandise	**42.7**	48.1	50.4
Cash advance fees	**38.2**	28.1	23.8
Check cashing fees, royalties and other	**1.8**	2.3	2.3
Total Revenue	**100.0**	100.0	100.0
Cost of Revenue			
Disposed merchandise	**26.6**	29.5	30.9
Net Revenue	**73.4**	70.5	69.1
Expenses			
Operations	**32.8**	35.7	37.3
Cash advance loss provision	**16.7**	8.6	7.2
Administration	**6.2**	7.3	7.2
Depreciation and amortization	**3.4**	3.9	3.9
Total Expenses	**59.1**	55.5	55.6
Income from Operations	**14.3**	15.0	13.5
Interest expense	**(1.7)**	(1.7)	(1.8)
Interest income	**0.1**	0.2	0.3
Foreign currency transaction loss			(0.1)
Gain from termination of contract		0.3	
Gain from settlement of foreign notes	**0.7**		
Income from Continuing Operations before Income Taxes	**13.4**	13.8	11.9
Provision for income taxes	**4.9**	5.0	4.4
Income from Continuing Operations	**8.5%**	8.8%	7.5%

Table of Contents

The following tables set forth certain selected consolidated financial and non-financial data as of December 31, 2007, 2006 and 2005, and for each of the three years then ended ($ in thousands unless noted otherwise) related to the Company s continuing operations.

	Year Ended December 31,		
	2007	2006	2005
PAWN LENDING OPERATIONS:			
Pawn loans			
Annualized yield on pawn loans	**125.5%**	123.6%	124.8%
Total amount of pawn loans written and renewed	**$ 514,799**	$ 474,046	$ 438,955
Average pawn loan balance outstanding	**$ 128,259**	$ 120,930	$ 112,301
Average pawn loan balance per average location in operation	**$ 267**	$ 262	$ 251
Ending pawn loan balance per location in operation	**$ 283**	$ 268	$ 253
Average pawn loan amount at end of year (not in thousands)	**$ 116**	$ 107	$ 95
Profit margin on disposition of merchandise as a percentage of proceeds from disposition of merchandise	**37.8%**	38.7%	38.8%
Average annualized merchandise turnover	**2.7x**	2.7x	2.7x
Average balance of merchandise held for disposition per average location in operation	**$ 189**	$ 165	$ 151
Ending balance of merchandise held for disposition per location in operation	**$ 202**	$ 183	$ 159
Pawnshop locations in operation			
Beginning of year, owned	**475**	456	441
Acquired	**5**	19	9
Start-ups	**6**	2	7
Combined or closed	**(1)**	(2)	(1)
End of year, owned	**485**	475	456
Franchise locations at end of year	**14**	12	8
Total pawnshop locations at end of year	**499**	487	464
Average number of owned pawnshop locations in operation	**480**	462	447
Cash advances [b]			
Pawn locations offering cash advances at end of year	**431**	423	441
Average number of pawn locations offering cash advances	**426**	423	430
Amount of cash advances written at pawn locations:			
Funded by the Company	**$ 65,022**	$ 66,952	$ 64,184
Funded by third-party lenders [a] [d]	**188,705**	207,732	211,191
Aggregate amount of cash advances written at pawn locations [a] [f]	**$ 253,727**	$ 274,684	$ 275,375

Number of cash advances written at pawn locations (not in thousands):			
By the Company	**213,273**	213,467	223,639
By third-party lenders [(a)] [(d)]	**409,576**	480,649	574,442
Aggregate number of cash advances written at pawn locations [(a)] [(f)]	**622,849**	694,116	798,081
Cash advance customer balances due at pawn locations (gross):			
Owned by Company [(c)]	**$ 8,627**	$ 8,448	$ 9,657
Owned by third-party lenders [(a)] [(d)]	**9,198**	11,202	9,697
Aggregate cash advance customer balances due at pawn locations (gross) [(a)] [(f)]	**$ 17,825**	$ 19,650	$ 19,354

	Year Ended December 31,		
	2007	2006	2005
CASH ADVANCE OPERATIONS [e]:			
Storefront operations:			
Amount of cash advances written:			
Funded by the Company	**$ 706,839**	$ 614,008	$ 509,732
Funded by third-party lenders [a] [d]	**115,483**	137,345	145,228
Aggregate amount of cash advances written [a] [f]	**$ 822,322**	$ 751,353	$ 654,960
Number of cash advances written (not in thousands):			
By the Company	**1,944,251**	1,740,615	1,442,816
By third-party lenders [a] [d]	**214,372**	266,389	347,772
Aggregate number of cash advances written [a] [f]	**2,158,623**	2,007,004	1,790,588
Cash advance customer balances due (gross):			
Owned by Company [c]	**$ 51,389**	$ 53,201	$ 37,706
Owned by third-party lenders [a] [d]	**5,530**	6,327	7,215
Aggregate cash advance customer balances due (gross) [a] [f]	**$ 56,919**	$ 59,528	$ 44,921
Cash advance locations in operation			
Beginning of year	**295**	286	253
Acquired			1
Start-ups	**14**	12	34
Combined or closed	**(5)**	(3)	(2)
End of year	**304**	295	286
Average number of cash advance locations in operation	**299**	290	271
Internet lending operations:			
Amount of cash advances written:			
Funded by the Company	**$ 598,306**	$ 136,226	
Funded by third-party lenders [a] [d]	**350,572**	15,500	
Aggregate amount of cash advances written [a] [f]	**$ 948,878**	$ 151,726	
Number of cash advances written (not in thousands):			
By the Company	**1,523,872**	356,561	
By third-party lenders [a] [d]	**594,909**	32,442	

Aggregate number of cash advances written [a] [f]	**2,118,781**	389,003
Cash advance customer balances due (gross):		
Owned by Company [c]	**$ 53,808**	$ 37,839
Owned by third-party lenders [a] [d]	**19,852**	7,158
Aggregate cash advance customer balances due (gross) [a] [f]	**$ 73,660**	$ 44,997
Number of states with online lending at end of year	**32**	29
Number of foreign countries with online lending at end of year	**1**	

Table of Contents

	Year Ended December 31,		
	2007	2006	2005
Combined Storefront and Internet lending operations:			
Amount of cash advances written:			
Funded by the Company	**$ 1,305,145**	$ 750,234	$ 509,732
Funded by third-party lenders [(a)] [(d)]	**466,055**	152,845	145,228
Aggregate amount of cash advances written [(a)] [(f)]	**$ 1,771,200**	$ 903,079	$ 654,960
Number of cash advances written (not in thousands):			
By the Company	**3,468,123**	2,097,176	1,442,816
By third-party lenders [(a)] [(d)]	**809,281**	298,831	347,772
Aggregate number of cash advances written [(a)] [(f)]	**4,277,404**	2,396,007	1,790,588
Cash advance customer balances due (gross):			
Owned by Company [(c)]	**$ 105,197**	$ 91,040	$ 37,706
Owned by third-party lenders [(a)] [(d)]	**25,382**	13,485	7,215
Aggregate cash advance customer balances due (gross) [(a)] [(f)]	**$ 130,579**	$ 104,525	$ 44,921
CONSOLIDATED CASH ADVANCE PRODUCT SUMMARY [(a)] [(b)] [(e)]:			
Amount of cash advances written:			
Funded by the Company	**$ 1,370,167**	$ 817,186	$ 573,916
Funded by third-party lenders [(a)] [(d)]	**654,760**	360,577	356,419
Aggregate amount of cash advances written [(a)] [(f)]	**$ 2,024,927**	$ 1,177,763	$ 930,335
Number of cash advances written (not in thousands):			
By the Company	**3,681,396**	2,310,643	1,666,455
By third-party lenders [(a)] [(d)]	**1,218,857**	779,480	922,214
Aggregate number of cash advances written [(a)] [(f)]	**4,900,253**	3,090,123	2,588,669
Average amount per cash advance written (not in thousands):			
Funded by the Company	**$ 372**	$ 354	$ 344
Funded by third-party lenders [(a)] [(d)]	**537**	463	386
Aggregate average amount per cash advance[(a)] [(f)]	**$ 413**	$ 381	$ 359
Cash advance customer balances due (gross):			

Owned by the Company [c]	**$ 113,824**	$ 99,488	$ 47,363
Owned by third-party lenders [a] [d]	**34,580**	24,687	16,912
Aggregate cash advance balances due (gross) [a] [f]	**$ 148,404**	$ 124,175	$ 64,275
Total locations offering cash advances at end of year	**735**	718	727
Average total locations offering cash advances	**725**	713	701
Number of states with online lending at end of period	**32**	29	
Number of foreign countries with online lending at end of period	**1**		

30

Table of Contents

	Year Ended December 31,		
	2007	2006	2005
CHECK CASHING OPERATIONS (Mr. Payroll):			
Centers in operation at end of year (not in thousands):			
Company-owned locations	**5**	5	5
Franchised locations [(a)]	**134**	131	131
Combined centers in operation at end of year [(a)]	**139**	136	136
Revenue from Company-owned locations	**$ 484**	$ 569	$ 565
Revenue from franchise royalties and other	**3,135**	3,356	3,254
Total revenue [(c)]	**$ 3,619**	$ 3,925	$ 3,819
Face amount of checks cashed:			
Company-owned locations	**$ 33,746**	$ 38,446	$ 38,699
Franchised locations [(a)]	**1,260,995**	1,269,724	1,181,682
Combined face amount of check cashed [(a)]	**$ 1,294,741**	$ 1,308,170	$ 1,220,381
Fees collected from customers:			
Company-owned locations [(c)]	**$ 484**	$ 569	$ 565
Franchised locations [(a)]	**17,678**	17,889	16,399
Combined fees collected from customers [(a)]	**$ 18,162**	$ 18,458	$ 16,964
Fees as a percentage of check cashed:			
Company-owned locations	**1.4%**	1.5%	1.5%
Franchised locations [(a)]	**1.4**	1.4	1.4
Combined fees as a percentage of check cashed [(a)]	**1.4%**	1.4%	1.4%
Average check cashed (not in thousands):			
Company-owned locations	**$ 392**	$ 393	$ 386
Franchised locations [(a)]	**436**	421	386
Combined average check cashed [(a)]	**$ 435**	$ 420	$ 386

(a) Non-GAAP presentation. For informational

purposes and to provide a greater understanding of the Company s businesses. Management believes that information provided with this level of detail is meaningful and useful in understanding the activities and business metrics of the Company s operations.

(b) Includes cash advance activities at the Company s pawn lending locations.

(c) Amounts recorded in the Company s consolidated financial statements.

(d) Cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at the Company s pawn locations, cash advance locations and through the internet

distribution channel.

(e) Includes cash advance activities at the Company s cash advance storefront locations and through the Company s internet distribution channel.

(f) Includes (i) cash advances written by the Company, and (ii) cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at the Company s pawn and cash advance locations and through the Company s internet distribution channel.

Table of Contents

OVERVIEW

Components of Consolidated Net Revenue. Consolidated net revenue is total revenue reduced by the cost of merchandise sold in the period. It represents the income available to satisfy expenses and is the measure management uses to evaluate top line performance. The components of consolidated net revenue are: finance and service charges from pawn loans, profit from the disposition of merchandise, cash advance fees, and other revenue. Other revenue is comprised mostly of check cashing fees but includes royalties and small miscellaneous other revenue items. Growth in cash advance fees has increased the related contribution of the cash advance products to consolidated net revenue during each of the three years of 2007, 2006 and 2005. Net revenue related to cash advance fees eclipsed pawn related net revenue, defined as finance and service charges on pawn loans plus the profit from disposition of merchandise, to become the largest component of net revenue in 2007. The growth in cash advance fees is primarily attributable to higher average balances, the addition of new units and the addition of cash advances made over the internet beginning in mid-September of 2006. Net revenue from pawn lending activities contributed 45.6%, 56.9% and 62.2% of net revenue for 2007, 2006 and 2005, respectively. The following graphs show consolidated net revenue and depict the mix of the components of net revenue for the years ended December 31, 2007, 2006 and 2005:

Contribution to Increase in Net Revenue. The Company s net revenue increased 39.4% and 18.8% for the years ended December 31, 2007 and 2006, respectively, compared to the prior year periods. Cash advance fees have contributed the majority of the increase primarily because of the additional revenue and subsequent growth in revenue that followed the September 2006 acquisition of a business offering cash advances over the internet. In addition, higher average balances owed by customers, and the growth and development of newly opened cash advance locations contributed to the increase. As illustrated below, these increases represented 82.9% of the overall increase in net revenue from 2006 to 2007 and 68.3% of the Company s overall increase in net revenue from 2005 to 2006. The increase in aggregate pawn related net revenue, including both finance and service charges and profit from the disposition of merchandise, contributed 16.8% of the year over year increase in net revenue for 2007 compared to 28.9% of growth in 2006.

While the percentage of pawn lending operations contribution to the growth in consolidated net revenue was smaller in the years ended December 31, 2007 and 2006 than in each of the respective prior years, net revenue from pawn lending activities increased 9.6% and 8.2% for the years ended December 31,

Table of Contents

2007 and 2006, respectively, compared to the prior year periods. The disproportionate growth in net revenue from cash advance activities is mostly due to the inclusion of the operations of the online distribution channel acquired in September 2006 that were not in the full comparable periods through September 2006. Other revenue accounted for 0.3% and 2.8% of the overall increase in net revenue in 2007 and 2006, respectively. These trends are depicted in the following graphs:

Year Ended 2007 Compared to Year Ended 2006

Consolidated Net Revenue. Consolidated net revenue increased $193.0 million, or 39.4%, to $682.6 million during 2007 from $489.6 million during 2006. The following table sets forth 2007 and 2006 net revenue by operating segment ($ in thousands):

	2007	2006	Increase (Decrease)	
Cash advance operations storefront	**$ 137,979**	$ 130,106	$ 7,873	6.1%
Cash advance operations internet lending	**184,729**	30,483	154,246	506.0
Total cash advance operations	**$ 322,708**	$ 160,589	$ 162,119	101.0%
Pawn lending operations	**356,275**	325,071	31,204	9.6
Check cashing operations	**3,619**	3,925	(306)	(7.8)
Consolidated net revenue	**$ 682,602**	$ 489,585	$ 193,017	39.4%

The components of consolidated net revenue are finance and service charges from pawn loans, which increased $11.5 million; profit from the disposition of merchandise, which increased $20.9 million; cash advance fees generated from pawn locations, cash advance locations and via the internet distribution channel, which increased $160.1 million; and combined segment revenue from check cashing fees, royalties and other, which increased $516,000. Net revenue from pawn lending operations includes finance and service charges and profit from disposition of merchandise, both of which increased in 2007 as compared to 2006, as well as cash advance fees from pawn locations, which decreased in 2007 compared to the prior year period. The increase in net revenue from cash advance operations of 101.0% was primarily due to the inclusion of the operating results of CashNetUSA for the full year in 2007.

Finance and Service Charges. Finance and service charges from pawn loans increased $11.5 million, or 7.7%, from $149.5 million in 2006 to $161.0 million in 2007. The increase is due primarily to higher loan balances attributable to the increased amount of pawn loans written through existing and new locations added during 2006 and 2007. An increase in the average balance of pawn loans outstanding contributed $9.1 million of the increase and the higher annualized yield, which is a function of the blend in permitted rates for fees and service charges on pawn loans in all operating locations of the Company, contributed $2.4 million of the increase. In addition, the Company s decision to reduce the maximum loan term from 90 days to 60 days in 198 pawn locations in the last half of 2007 contributed to higher reported pawn loan yields as the average balance of loans outstanding declined and customer payments of finance and service charges occurred earlier than in prior periods.

The average balances of pawn loans outstanding during 2007 increased by $7.3 million, or 6.1%, compared to 2006. The increase was driven by a 9.9% increase in the average amount per loan outstanding that was partially offset by a 3.5% decrease in the average number of pawn loans outstanding during 2007. Management believes that the decrease in the average number of pawn loans outstanding could be related to the fact that higher advance rates on loans secured by gold collateral, such as jewelry, can allow customers to reduce the number of loans necessary to achieve their needs. In addition, the decrease in loan term from 90 to 60 days reduces the number of loans outstanding, as the number of unredeemed loans that would have remained in the 90 day loan cycle for the complete term are eliminated earlier in the 60 day loan cycle.

Pawn loan balances at December 31, 2007 were $137.3 million, which was 7.8% higher than at December 31, 2006. Annualized loan yield was 125.5% in 2007, compared to 123.6% in 2006. Same store pawn loan balances at December 31, 2007 increased $8.4 million, or 6.6%, as compared to December 31, 2006.

Profit from the Disposition of Merchandise. Profit from the disposition of merchandise represents the proceeds received from the disposition of merchandise in excess of the cost of disposed merchandise. The following table summarizes the proceeds from the disposition of merchandise and the related profit for 2007 as compared to 2006 ($ in thousands):

	Year Ended December 31,					
		2007			2006	
	Merchan-dise	**Refined Gold**	**Total**	Merchan-dise	Refined Gold	Total
Proceeds from disposition	**$276,794**	**$120,027**	**$396,821**	$255,538	$78,498	$334,036
Profit on disposition	**$112,090**	**$ 37,939**	**$150,029**	$105,222	$23,885	$129,107
Profit margin	**40.5%**	**31.6%**	**37.8%**	41.2%	30.4%	38.7%
Percentage of total profit	**74.7%**	**25.3%**	**100.0%**	81.5%	18.5%	100.0%

The total proceeds from disposition of merchandise and refined gold increased $62.8 million, or 18.8%, and the total profit from the disposition of merchandise and refined gold increased $20.9 million, or 16.2%, primarily due to higher levels of retail sales and disposition of refined gold. Overall gross profit margin decreased slightly from 38.7% in 2006 to 37.8% in 2007. Excluding the effect of the disposition of refined gold, the profit margin on the disposition of merchandise (including jewelry sales) decreased to 40.5% in 2007 from 41.2% in 2006. The profit margin on the disposition of refined gold increased to 31.6% in 2007 from 30.4% in 2006 primarily due to the higher market prices for gold, which in turn caused the hedge-adjusted selling price per ounce to increase 23.4% in 2007 compared to 2006. The Company also experienced a 24% increase in the volume of refined gold sold during 2007, which is generally in line with the increase in pawn loan balances for the period, primarily due to higher pawn loans on jewelry, the liquidation of jewelry inventory and the sale of gold items purchased directly from customers.

Proceeds from disposition of merchandise, excluding refined gold, increased $21.3 million, or 8.3%, in 2007 primarily due to to the higher levels of retail sales activity that was supported by higher levels of merchandise available for disposition entering into 2007 and the net addition of 10 pawnshop locations. The

Table of Contents

consolidated merchandise turnover rate was 2.7 times in both 2007 and 2006. Management expects that profit margin on the disposition of merchandise in the near term will likely remain at or slightly below current levels mainly due to higher inventory levels and an increase in the percentage mix of refined gold sales, which typically have lower gross profit margins.

The table below summarizes the age of merchandise held for disposition before valuation allowance of $2.0 million and $1.9 million, respectively, at December 31, 2007 and 2006 ($ in thousands).

	2007		2006	
	Amount	**%**	Amount	%
Merchandise held for 1 year or less				
Jewelry	**$ 60,702**	**60.6%**	$ 52,087	58.6%
Other merchandise	**29,437**	**29.4**	28,302	31.8
	90,139	**90.0**	80,389	90.4
Merchandise held for more than 1 year				
Jewelry	**6,264**	**6.3**	5,280	5.9
Other merchandise	**3,731**	**3.7**	3,261	3.7
	9,995	**10.0**	8,541	9.6
Total merchandise held for disposition	**$ 100,134**	**100.0%**	$ 88,930	100.0%

Cash Advance Fees. Cash advance fees increased $160.1 million, or 82.1%, to $355.2 million in 2007 as compared to $195.1 million in 2006. The increase in revenue from cash advance fees is predominantly due to the increase in customers using the Company s online distribution channel, and to a lesser extent, the increase and growth of storefront locations. As of December 31, 2007, cash advance products were available in 735 lending locations, including 431 pawnshops and 304 cash advance locations. In 319 of these lending locations, the Company arranges for customers to obtain cash advance products from independent third-party lenders for a fee. Cash advance fees from same stores (both pawn and cash advance locations in business during the entire 24 month period ended December 31, 2007) increased $3.6 million, or 2.2%, to $165.2 million in 2007 compared to $161.6 million in 2006.

Cash advance fees include revenue from the cash advance portfolio owned by the Company and fees paid to the Company for arranging cash advance products from independent third-party lenders for customers. See further discussion in Note 4 of Notes to Consolidated Financial Statements. (Although cash advance transactions may take the form of loans or deferred check deposit transactions, the transactions are referred to throughout this discussion as cash advances for convenience.)

The following table sets forth cash advance fees by operating segment for the years ended December 31, 2007 and 2006 ($ in thousands):

	2007	2006	Inc./(Dec.)	
Cash advance operations storefront	**$ 128,454**	$ 120,946	$ 7,508	6.2%
Cash advance operations internet lending	**184,724**	30,483	154,241	506.0
Total cash advance operations	**$ 313,178**	$ 151,429	$ 161,749	106.8%
Pawn lending operations	**42,018**	43,676	(1,658)	(3.8)
Consolidated cash advance fees	**$ 355,196**	$ 195,105	$ 160,091	82.1%

The dollar value of cash advances written increased $847.2 million, or 71.9% to $2.0 billion in 2007 from $1.2 billion in 2006. These amounts include $654.8 million in 2007 and $360.6 million in 2006 extended to customers by all independent third-party lenders. The average amount per cash advance increased to $413 from $381 primarily due to the mix within the portfolio (with a larger percent in markets allowing for larger loans) and adjustments to underwriting criteria. The outstanding combined portfolio balance of cash advances increased $24.2 million, or 19.5%, to $148.4 million at December 31, 2007 from

Table of Contents

$124.2 million at December 31, 2006. Those amounts included $113.8 million and $99.5 million at December 31, 2007 and 2006, respectively, which are included in the Company s consolidated balance sheet. An allowance for losses of $25.7 million and $19.5 million has been provided in the consolidated financial statements for December 31, 2007 and 2006, respectively, which is netted against the outstanding cash advance amounts on the Company s consolidated balance sheets.

The following table summarizes cash advances outstanding at December 31, 2007 and 2006 and contains certain non-Generally Accepted Accounting Principles (non-GAAP) measures with respect to the cash advances owned by third-party lenders that are not included in the Company s consolidated balance sheets. The Company believes that presenting these non-GAAP measures is meaningful and necessary because management evaluates and measures the cash advance portfolio performance on an aggregate basis ($ in thousands).

	2007	2006
Funded by the Company [a]		
Active cash advances and fees receivable	**$ 76,620**	$ 69,489
Cash advances and fees in collection	**24,099**	24,499
Total funded by the Company [a]	**100,719**	93,988
Funded by third-party lenders [b] [c]		
Active cash advances and fees receivable	**34,580**	24,721
Cash advances and fees in collection	**13,105**	5,466
Total funded by third-party lenders [b] [c]	**47,685**	30,187
Combined gross portfolio [b] [d]	**148,404**	124,175
Less: Elimination of cash advances owned by third-party lenders	**34,580**	24,687
Company-owned cash advances and fees receivable, gross	**113,824**	99,488
Less: Allowance for losses	**25,676**	19,513
Cash advances and fees receivable, net	**$ 88,148**	$ 79,975
Allowance for loss on Company-owned cash advances	**$ 25,676**	$ 19,513
Accrued losses on third-party lender-owned cash advances	**1,828**	1,153
Combined allowance for losses and accrued third-party lender losses	**$ 27,504**	$ 20,666
Combined allowance for losses and accrued third-party lender losses as a % of combined gross portfolio [b] [d]	**18.5%**	16.6%

[a] Cash advances written by the Company for its own account in pawn locations, cash advance locations, and

through the internet distribution channel.

(b) Non-GAAP presentation. For informational purposes and to provide a greater understanding of the Company s businesses. Management believes that information provided with this level of detail is meaningful and useful in understanding the activities and business metrics of the Company s operations.

(c) Cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at the Company s pawn locations, cash advance locations and through the internet distribution channel.

(d) Includes (i) cash advances

written by the Company, and (ii) cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at the Company s pawn and cash advance locations and through the Company s internet distribution channel.

Management anticipates continued growth in consolidated cash advance fees for fiscal 2008, primarily due to increased consumer awareness and demand for the cash advance product, higher outstanding balances at December 31, 2007 compared to December 31, 2006, the continued growth of the internet distribution channel and the growth of balances from new units opened during and prior to 2007.

Table of Contents

Check Cashing Fees, Royalties and Other. Check cashing fees, royalties and other income increased $516,000 to $16.4 million in 2007, or 3.2%, from $15.9 million in 2006, primarily due to expanded product offerings and their success in pawn locations and revenue growth in cash advance units. However, this growth has been partially inhibited by lower fees from check cashing activities due to a lower volume of checks being cashed potentially due to an increase in competition. The components of these revenue items are as follows (in thousands):

	Year Ended December 31,							
	2007				2006			
	Pawn Lending	**Cash Advance**	**Check Cashing**	**Total**	Pawn Lending	Cash Advance	Check Cashing	Total
Check cashing fees	**$ 780**	**$ 5,684**	**$ 485**	**$ 6,949**	$ 373	$ 6,057	$ 569	$ 6,999
Royalties	**555**		**3,064**	**3,619**	569		3,173	3,742
Other	**1,933**	**3,846**	**70**	**5,849**	1,874	3,103	183	5,160
	$ 3,268	**$ 9,530**	**$ 3,619**	**$ 16,417**	$ 2,816	$ 9,160	$ 3,925	$ 15,901

Operations Expenses. Consolidated operations expenses, as a percentage of total revenue, were 32.8% in 2007 compared to 35.7% in 2006. These expenses increased $56.8 million, or 22.9%, in 2007 compared to 2006. Pawn lending operating expenses increased $14.0 million, or 7.8%, primarily due to higher personnel costs, increased occupancy expenses and an increase in store level incentives. Cash advance operating expenses increased $42.8 million, or 64.5%, primarily as a result of the acquisition of a business that offers cash advances online.

As a multi-unit operator in the consumer finance industry, the Company s operations expenses are predominately related to personnel and occupancy expenses. Personnel expenses include base salary and wages, performance incentives, and benefits. Occupancy expenses include rent, property taxes, insurance, utilities, and maintenance. The combination of personnel and occupancy expenses represents 78.6% of total operations expenses in 2007 and 82.7% in 2006. The comparison is as follows ($ in thousands):

	2007	**% of Revenue**	2006	% of Revenue
Personnel	**$ 167,486**	**18.0%**	$ 140,261	20.2%
Occupancy	**71,823**	**7.7**	64,609	9.3
Other	**65,171**	**7.1**	42,837	6.2
Total	**$ 304,480**	**32.8%**	$ 247,707	35.7%

The increase in personnel expenses is mainly due to unit additions since 2006, an increase in staffing levels, the acquisition of CashNetUSA and normal recurring salary adjustments. The increase in occupancy expense is primarily due to unit additions, as well as higher utility costs and property taxes. The increase in other operations expenses was primarily due to an increase in marketing and selling expenses.

The Company realigned its administrative activities during 2007 to create more direct oversight of operations. This change resulted in an increase in operations expenses late in 2007. For comparison purposes, the Company reclassified the same direct expenses from earlier periods out of administrative expenses and into operations expenses. The amounts reclassified in 2007 and 2006 were $3.0 million and $1.8 million, respectively. There was no change in the total amount of expenses related to this reclassification.

Table of Contents

Administration Expenses. Consolidated administration expenses, as a percentage of total revenue, were 6.2% in 2007 compared to 7.3% in 2006. The components of administration expenses are as follows ($ in thousands):

	2007	**% of Revenue**	2006	% of Revenue
Personnel	**$ 36,322**	**3.9%**	$ 33,780	4.9%
Other	**20,928**	**2.3**	17,204	2.4
Total	**$ 57,250**	**6.2%**	$ 50,984	7.3%

Periodically the Company evaluates its reserves for health and workers compensation benefits. During 2007, the Company adjusted reserves downward consistent with past practices which reduced administrative expenses. Before the reduction in personnel expense from these credits, the increase in administration expenses was principally attributable to the acquisition of a business that offers cash advances online, increased staffing levels and annual salary adjustments. In addition, total administrative expenses in 2006 were offset by a gain of $773,000 recognized from a partial insurance settlement in 2006 related to hurricanes in 2005.

The Company realigned its administrative activities during 2007 to create more direct oversight of operations. This change resulted in an increase in operations expenses late in 2007. For comparison purposes, the Company reclassified the same direct expenses from earlier periods out of administrative expenses and into operations expenses. The amounts reclassified in 2007 and 2006 were $3.0 million and $1.8 million, respectively. There was no change in the total amount of expenses related to this reclassification.

Cash Advance Loss Provision. The Company maintains an allowance for losses on cash advances at a level projected to be adequate to absorb credit losses inherent in the outstanding combined cash advance portfolio. The cash advance loss provision is utilized to increase the allowance carried against the outstanding company owned cash advance portfolio as well as expected losses in the third-party lender-owned portfolios which are guaranteed by the Company. The allowance is based on historical trends in portfolio performance based on the status of the balance owed by the customer with the full amount of the customer s obligations being completely reserved when they become 60 days past due. The cash advance loss provision increased $95.6 million to $155.2 million in 2007, compared to $59.6 million in 2006. An increased volume of cash advances contributed $79.0 million of the increase in the loss provision with the remaining increase of $16.6 million attributable to higher loss rates.

Total charge-offs less recoveries divided by total cash advances written increased in 2007 to 7.3% compared to 3.9% in 2006. The loss provision expense as a percentage of cash advances written was higher in 2007, increasing to 7.7% compared to 5.1% in the prior year. The loss provision as a percentage of cash advance fees increased to 43.7% in 2007 from 30.5% in 2006. These increases are mostly attributable to a significant increase in cash advance receivable balances and the greater mix of cash advance balances from online customers, which historically generates a higher loss rate. In addition, this increase in loss rates and losses as a percent of fees was weighted heavily in the first six months of 2007 due to a significant increase in new customers over that period as a result of opening new markets for the online distribution channel in late 2006 and early 2007.

Due to the short-term nature of the cash advance product and the high velocity of loans written, seasonal trends are evidenced in quarter-to-quarter performance. The table below shows the Company s sequential loss experience for each of the calendar quarters under multiple metrics used by the Company to evaluate performance. Management believes that the increase in loss levels experienced early in 2007 was due to a large increase in new customers during the early part of the year. Typically, the normal business cycle leads sequential losses, as measured by the current period loss provision as a percentage of combined loans written in the period, to be lowest in the first quarter and increase throughout the year, with the final two quarters experiencing the peak levels of losses. During 2007, the quarterly sequential performance deviated from

Table of Contents

this typical cycle as sequential loss rates decreased from the second to the third quarter and from the third quarter to the fourth quarter. Management believes that this sequential decrease was mainly due to the increase in customers who had established borrowing histories as a percent of all customers in the later half of the year. This change in mix was primarily in the portfolio of cash advances originated by the Company s online channel. In addition, management took steps to reduce losses in its storefront business beginning in the last half of 2007, including additional underwriting guidelines and more emphasis on collections activities. These changes accounted for a smaller portion of the decrease in relation to the customer composition mix.

	2007				
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Fiscal Year**
Combined cash advance loss provision as a % of combined cash advances written (a) (b)	7.4%	8.4%	8.1%	6.8%	7.7%
Charge-offs (net of recoveries) as a % of combined cash advances written (a) (b)	6.5%	6.5%	8.3%	7.8%	7.3%
Combined cash advance loss provision as a % of cash advance fees (a) (b)	41.7%	48.7%	45.7%	38.8%	43.7%
Combined cash advances and fees receivable, gross (a) (b)	$ 115,547	$ 139,576	$ 144,779	$ 148,404	$ 148,404
Combined allowance for losses on cash advances	24,394	33,996	32,757	27,504	27,504
Combined cash advances and fees receivable, net (a) (b)	$ 91,153	$ 105,580	$ 112,022	$ 120,900	$ 120,900
Combined allowance for losses and accrued third-party lender losses as a % of combined gross portfolio (a) (b)	21.1%	24.4%	22.6%	18.5%	18.5%

	2006				
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Fiscal Year**
Combined cash advance loss provision as a % of combined cash advances written (a) (b)	2.1%	4.5%	5.9%	6.3%	5.1%
Charge-offs (net of recoveries) as a % of combined cash advances written (a) (b)	3.5%	2.7%	4.8%	4.2%	3.9%
Combined cash advance loss provision as a % of cash advance fees (a) (b)	12.5%	27.4%	36.2%	37.3%	30.5%
Combined cash advances and fees receivable, gross (a) (b)	$ 47,879	$ 63,682	$ 97,732	$ 124,175	$ 124,175

Combined allowance for losses on cash advances	4,146	8,432	11,842	20,666	20,666
Combined cash advances and fees receivable, net [a] [b]	$ 43,733	$ 55,250	$ 85,890	$ 103,509	$ 103,509
Combined allowance for losses and accrued third-party lender losses as a % of combined gross portfolio [a] [b]	8.7%	13.2%	12.1%	16.6%	16.6%

[a] Non-GAAP presentation. For informational purposes and to provide a greater understanding of the Company s businesses. Management believes that information provided with this level of detail is meaningful and useful in understanding the activities and business metrics of the Company s operations.

[b] Includes (i) cash advances written by the Company, and (ii) cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at

the Company s
pawn and cash
advance
locations and
through the
Company s
internet
distribution
channel.

Table of Contents

The following table summarizes the cash advance loss provision and combined allowance for losses and accrued third-party lender losses for the years ended and at December 31, 2007 and 2006, and contains certain non-GAAP measures with respect to the cash advances written by third-party lenders that are not included in the Company s consolidated balance sheets and related statistics. The Company believes that presenting these non-GAAP measures is meaningful and necessary because management evaluates and measures the cash advance portfolio performance on an aggregate basis including its evaluation of the loss provision for the Company-owned portfolio and the third-party lender-owned portfolio that the Company guarantees ($ in thousands).

	Year Ended December 31,	
	2007	2006
Cash advance loss provision:		
Loss provision on Company-owned cash advances	**$ 154,563**	$ 59,284
Loss provision on third-party owned cash advances	**675**	279
Combined cash advance loss provision	**$ 155,238**	$ 59,563
Charge-offs, net of recoveries	**$ 148,400**	$ 46,080
Cash advances written:		
By the Company [a]	**$ 1,370,167**	$ 817,186
By third-party lenders [b] [c]	**654,760**	360,577
Combined cash advances written [b] [d]	**$ 2,024,927**	$ 1,177,763
Combined cash advance loss provision as a % of combined cash advances written [b] [d]	**7.7%**	5.1%
Charge-offs (net of recoveries) as a % of combined cash advances written [b] [d]	**7.3%**	3.9%

[a] Cash advances written by the Company for its own account in pawn locations, cash advance locations and through the internet distribution channel.

[b] Non-GAAP presentation. For informational purposes and to provide a

greater understanding of the Company s businesses. Management believes that information provided with this level of detail is meaningful and useful in understanding the activities and business metrics of the Company s operations.

(c) Cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at the Company s pawn and cash advance locations and through the Company s internet distribution channel.

(d) Includes (i) cash advances written by the Company, and (ii) cash advances written by third-party lenders that were arranged by the Company on behalf of the

third-party lenders, all at the Company s pawn and cash advance locations and through the Company s internet distribution channel.

During 2007, the Company s online distribution channel sold selected cash advances which had been previously written off. These sales generated proceeds of $4.2 million related to loans originated after the acquisition of the online distribution channel. Those proceeds were recorded as recoveries on losses previously charged to the allowance for losses.

Depreciation and Amortization. Depreciation and amortization expense as a percentage of total revenue decreased to 3.4% in 2007 from 3.9% in 2006. Total depreciation and amortization expenses increased $4.8 million, or 17.6%, primarily due to remodeling expenditures for storefront and lending locations in 2007 and 2006, the increase in operating locations and the amortization of certain intangible assets obtained in acquisitions.

During 2008, the Company expects to deploy the first phase of its new proprietary point-of-sale system for its cash advance business in its storefront locations and the underlying platform that will serve its cash advance storefronts and pawn locations. Upon initial deployment, the Company will begin depreciating the costs currently capitalized during the system s development and the costs of related hardware. This will significantly increase depreciation expense in future periods.

Table of Contents

Interest Expense. Interest expense as a percentage of total revenue was 1.7% in both 2007 and 2006. Interest expense increased $4.1 million, or 34.1%, to $16.0 million in 2007 as compared to $11.9 million in 2006. The increase was primarily due to the higher weighted average floating interest rate borrowings ($121.3 million during 2007 and $81.2 million during 2006) and the higher average floating interest rate (6.3% during 2007 compared to 6.2% during 2006) and the issuance in December 2006 of $60 million of senior unsecured long-term notes. The average amount of debt outstanding increased during 2007 to $249.8 million from $160.7 million during 2006. This increase was primarily attributable to the acquisition of CashNetUSA in the third quarter of 2006 and the funding of two earn-out payments in February and November 2007. The effective blended borrowing cost was 6.4% in 2007 and 6.6% in 2006.

Interest Income. Interest income was $1.0 million in 2007 compared to $1.6 million in 2006. The interest income is primarily from the two notes receivable denominated in Swedish kronor that the Company held until August 2007 and had received in connection with its 2004 sale of its foreign pawn lending operations. The notes were sold in August 2007; therefore, the Company expects interest income in 2008 will be insignificant.

Foreign Currency Transaction Gain (Loss). The Company held two notes receivable denominated in Swedish kronor until they were sold in August 2007. Exchange rate changes between the United States dollar and the Swedish kronor resulted in a net gain of $63,000 (including a gain of $52,000 from foreign currency forward contracts) in 2007 and $296,000 (net of a loss of $1.1 million from foreign currency forward contracts) in 2006.

The functional currency of the Company s United Kingdom operations is the British pound. In 2007, the Company recorded foreign currency transaction losses of approximately $87,000 on the intercompany balances, which are denominated in U.S. dollars, between the U.S. and United Kingdom operations.

Gain on Sale of Foreign Notes. The Company received gross proceeds in the amount of $16.8 million on the sale of notes receivable that it had received in 2004 as part of the proceeds from its sale of Svensk Pantbelåning, its former Swedish pawn lending subsidiary. In September 2004, the Company sold Svensk Pantbelåning to Rutland Partners LLP, for cash and two subordinated notes receivable. One of the notes receivable was convertible into approximately 27.7% of the parent company of Svensk Pantbelåning on a fully-diluted basis. In August 2007, Rutland Partners LLP sold Svensk Pantbelåning to a third party who also purchased the notes receivable from the Company. The Company received total proceeds of $16.8 million, $12.4 million for the repayment of the face value of the principal, including $0.3 million of accrued interest owed on notes receivable and $4.4 million for the value of its conversion rights under the convertible note. The Company recognized a pre-tax gain of approximately $6.3 million from the sale of the notes and related rights. Proceeds from the sale were used for general corporate purposes, including the repayment of debt and the repurchase of shares in the open market pursuant to an existing share repurchase authorization.

Income Taxes. The Company s effective tax rate for continuing operations for 2007 was 36.4% as compared to 36.6% for 2006. The Company recognized a $1.1 million one-time deferred Texas margin tax credit, net of the federal income tax effect of the credit, during the second quarter of 2007. This credit resulted from a change in Texas law enacted during the second quarter. Excluding the effect of the one-time Texas deferred tax benefit, the effective tax rate for 2007 would have been 37.3%. Excluding the effect of the one-time deferred tax benefit, the increase over 2006 is primarily attributable to an increase in state and local income taxes, including the Texas margin tax that was enacted in 2006 and is imposed on the Company s earnings beginning in 2007.

Year Ended 2006 Compared to Year Ended 2005

Consolidated Net Revenue. Consolidated net revenue increased $77.6 million, or 18.8%, to $489.6 million during 2006 from $412.0 million during 2005. The following table sets forth 2006 and 2005 net revenue by operating segment ($ in thousands):

		2006	2005	Increase	
Cash advance operations	storefront	**$ 130,106**	$ 107,848	$ 22,258	20.6%
Cash advance operations	internet lending	**30,483**		30,483	N/A
Total cash advance operations		**$ 160,589**	$ 107,848	$ 52,741	48.9%
Pawn lending operations		**325,071**	300,297	24,774	8.2
Check cashing operations		**3,925**	3,819	106	2.8
Consolidated net revenue		**$ 489,585**	$ 411,964	$ 77,621	18.8%

The components of net revenue are finance and service charges from pawn loans, which increased $9.7 million; profit from the disposition of merchandise, which increased $12.7 million; cash advance fees generated from cash advance locations, pawn locations and the internet distribution channel increased $53.0 million; and check cashing fees, royalties and other income increased $2.2 million.

Finance and Service Charges. Finance and service charges from pawn loans increased $9.7 million, or 6.9%, from $139.8 million in 2005 to $149.5 million in 2006. The increase was primarily due to higher pawn loan balances attributable to an increased amount of pawn loans written. An increase in the average balance of pawn loans outstanding contributed $11.1 million of the increase, which was offset by a $1.4 million decrease resulting from the lower annualized yield of the pawn loan portfolio. The change in the annualized yield of the pawn loan portfolio is a function of the blend in permitted rates for fees and service charges on pawn loans in all operating locations of the Company and slightly lower redemption rates.

The average balances of pawn loans outstanding were 7.9% higher in 2006 than in 2005. The increase in the average balance of pawn loans outstanding was driven by a 9.5% increase in the average amount per loan that was partially offset by a 1.5% decrease in the average number of pawn loans outstanding during 2006.

Pawn loan balances at December 31, 2006 were $127.4 million, which was 10.5% higher than at December 31, 2005. Annualized loan yield was 123.6% in 2006, compared to 124.8% in 2005. Same store pawn loan balances at December 31, 2006 were $8.1 million, or 7.0%, higher than at December 31, 2005.

Profit from the Disposition of Merchandise. Profit from the disposition of merchandise represents the proceeds received from the disposition of merchandise in excess of the cost of disposed merchandise. The following table summarizes the proceeds from the disposition of merchandise and the related profit for 2006 as compared to 2005 ($ in thousands):

	Year Ended December 31,					
	2006			2005		
	Merchan-dise	**Refined Gold**	**Total**	Merchan-dise	Refined Gold	Total
Proceeds from disposition	**$ 255,538**	**$ 78,498**	**$ 334,036**	$ 243,349	$ 56,843	$ 300,192
Profit on disposition	**$ 105,222**	**$ 23,885**	**$ 129,107**	$ 100,979	$ 15,414	$ 116,393
Profit margin	**41.2%**	**30.4%**	**38.7%**	41.5%	27.1%	38.8%
Percentage of total profit	**81.5%**	**18.5%**	**100.0%**	86.8%	13.2%	100.0%

The total proceeds from disposition of merchandise and refined gold increased $33.8 million, or 11.3%, and the total profit from the disposition of merchandise and refined gold increased $12.7 million, or 10.9%, primarily due to

higher levels of retail sales and the disposition of refined gold. Overall gross profit

margin decreased slightly from 38.8% in 2005 to 38.7% in 2006. Excluding the effect of the disposition of refined gold, the profit margin on the disposition of merchandise (including jewelry sales) decreased to 41.2% in 2006 from 41.5% in 2005. The profit margin on the disposition of refined gold increased to 30.4% in 2006 from 27.1% in 2005 primarily due to higher prevailing market prices of gold, which in turn caused the hedge-adjusted selling price per ounce to increase 25.6% in 2006 compared to 2005. The Company also experienced an 11.6% increase in the volume of refined gold sold during 2006, which was generally in line with the increase in pawn loan balances for the period. Proceeds from disposition of merchandise, excluding refined gold, increased $12.2 million, or 5.0%, in 2006 primarily due to the net addition of 19 pawnshop locations and to the higher levels of retail sales activity that was supported by higher levels of merchandise available for disposition entering into 2006. The consolidated merchandise turnover rate was 2.7 times in both 2006 and 2005.

The table below summarizes the age of merchandise held for disposition before valuation allowance of $1.9 million and $1.8 million, respectively, at December 31, 2006 and 2005 ($ in thousands).

	2006		2005	
	Amount	**%**	Amount	%
Merchandise held for 1 year or less				
Jewelry	**$ 52,087**	**58.6%**	$ 42,139	56.6%
Other merchandise	**28,302**	**31.8**	24,787	33.3
	80,389	**90.4**	66,926	89.9
Merchandise held for more than 1 year				
Jewelry	**5,280**	**5.9**	4,684	6.3
Other merchandise	**3,261**	**3.7**	2,873	3.8
	8,541	**9.6**	7,557	10.1
Total merchandise held for disposition	**$ 88,930**	**100.0%**	$ 74,483	100.0%

Cash Advance Fees. Cash advance fees increased $53.0 million, or 37.3%, to $195.1 million in 2006 as compared to $142.1 million in 2005. The increase resulted primarily from the growth and development of new cash advance units and higher average cash advance balances outstanding during 2006, with some additional contribution from CashNetUSA acquired in mid-September 2006. As of December 31, 2006, cash advance products were available in 720 lending locations, including 425 pawnshops and 295 cash advance locations. In 314 of these lending locations, the Company arranged for customers to obtain cash advance products from independent third-party lenders for a fee. Cash advance fees from same stores increased $14.8 million, or 10.5%, to $156.1 million in 2006 compared to $141.3 million in 2005. Cash advance fees include revenue from the cash advance portfolio owned by the Company and fees paid to the Company for credit services rendered to customers in connection with arranging for customers to obtain cash advances from independent third-party lenders. See further discussion in Note 4 of Notes to Consolidated Financial Statements. (Although cash advance transactions may take the form of loans or deferred check deposit transactions, the transactions are referred to throughout this discussion as cash advances for convenience.)

The following table sets forth cash advance fees by operating segment for the years ended December 31, 2006 and 2005 ($ in thousands):

	2006	2005	Inc./(Dec.)	
Cash advance operations storefront	**$ 120,946**	$ 100,663	$ 20,283	20.1%
Cash advance operations internet lending	**30,483**		30,483	N/A
Total cash advance operations	**151,429**	100,663	50,766	50.4

Pawn lending operations	**43,676**	41,405	2,271	5.5
Consolidated cash advance fees	**$ 195,105**	$ 142,068	$ 53,037	37.3%

Table of Contents

The amount of cash advances written increased $247.4 million, or 26.6% to $1.2 billion in 2006 from $930.3 million in 2005. These amounts include $360.6 million in 2006 and $356.4 million in 2005 extended to customers by all independent third-party lenders. The average amount per cash advance increased to $381 from $359 mostly due to changes in permitted loan amounts and adjustments to underwriting criteria. The outstanding combined portfolio balance of cash advances increased $59.9 million, or 93.2%, to $124.2 million at December 31, 2006 from $64.3 million at December 31, 2005. A portion of the increase was attributable to the addition of the online distribution channel established through the acquisition of CashNetUSA in September of 2006 with the remainder related primarily to store maturity and development during the year. Included in the combined portfolio balance referenced above were $99.5 million and $47.0 million for 2006 and 2005, respectively, which are included in the Company s consolidated balance sheets. An allowance for losses of $19.5 million and $6.3 million has been provided in the consolidated financial statements for December 31, 2006 and 2005, respectively, which is netted against the outstanding cash advance amounts on the Company s consolidated balance sheets.

The following table summarizes cash advances outstanding at December 31, 2006 and 2005 and contains certain non-Generally Accepted Accounting Principles (non-GAAP) measures with respect to the cash advances owned by third-party lenders that are not included in the Company s consolidated balance sheets. The Company believes that presenting these non-GAAP measures is meaningful and necessary because management evaluates and measures the cash advance portfolio performance on an aggregate basis ($ in thousands).

	2006	2005
Funded by the Company [(a)]		
Active cash advances and fees receivable	**$ 69,489**	$ 32,207
Cash advances and fees in collection	**24,499**	7,510
Total funded by the Company [(a)]	**93,988**	39,717
Funded by third-party lenders [(b)] [(c)]		
Active cash advances and fees receivable	**24,721**	19,548
Cash advances and fees in collection	**5,466**	5,010
Total funded by third-party lenders [(b)] [(c)]	**30,187**	24,558
Combined gross portfolio [(b)] [(d)]	**124,175**	64,275
Less: Elimination of cash advances owned by third-party lenders	**24,687**	16,912
Less: Discount on cash advances assigned by third-party lenders		350
Company-owned cash advances and fees receivable, gross	**99,488**	47,013
Less: Allowance for losses	**19,513**	6,309
Cash advances and fees receivable, net	**$ 79,975**	$ 40,704
Allowance for loss on Company-owned cash advances	**$ 19,513**	$ 6,309
Accrued losses on third-party lender-owned cash advances	**1,153**	874
Combined allowance for losses and accrued third-party lender losses	**$ 20,666**	$ 7,183
Combined allowance for losses and accrued third-party lender losses as a % of combined gross portfolio [(b)] [(d)]	**16.6%**	11.2%

(a) Cash advances written by the Company for its own account in its pawn locations, cash advance locations and through the internet distribution channel.

(b) Non-GAAP presentation. For informational purposes and to provide a greater understanding of the Company s businesses. Management believes that information provided with this level of detail is meaningful and useful in understanding the activities and business metrics of the Company s operations.

(c) Cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at the Company s pawn and cash

advance locations and through the Company s internet distribution channel.

(d) Includes (i) cash advances written by the Company, and (ii) cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at the Company s pawn and cash advance locations and through the Company s internet distribution channel.

44

Table of Contents

Cash advance fees related to cash advances originated by all third-party lenders (bank and non-bank) were $61.6 million in 2006 on $360.6 million in cash advances originated by third-party lenders, representing 31.1% of combined cash advance revenue and 8.9% of consolidated total revenue of the Company. The cash advance loss provision expense associated with these cash advances was $19.8 million. Direct operating expenses, excluding allocated administrative expenses, were $18.4 million, and depreciation and amortization expense was $1.6 million in 2006. Management estimates that the approximate contribution before interest and taxes on cash advances originated by all third-party lenders in 2006 was $21.8 million. This estimate does not include shared operating costs in pawn locations where the product is offered.

In March 2005, the Federal Deposit Insurance Corporation (FDIC) issued revised guidelines affecting certain short-term cash advance products offered by FDIC regulated banks. The revised guidance applied to the cash advance product that was offered by third-party banks in many of the Company s locations. The revised guidance, which became effective July 1, 2005, restricted banks from providing cash advances to customers for more than three months out of a twelve month period. In order to address the short-term credit needs of customers who no longer had access to the banks cash advance product, the Company began offering an alternative short-term credit product in selected markets in 2005. On July 1, 2005, the Company introduced a credit services organization program (the CSO program). Under the CSO program, the Company acts as a credit services organization on behalf of consumers in accordance with applicable state laws. Credit services that the Company provides to its customers include arranging loans with independent third-party lenders, assisting in the preparation of loan applications and loan documents, and accepting loan payments at the location where the loans were arranged. To assist the customer in obtaining a loan from a third-party lender through the CSO program, the Company, on behalf of its customer, guarantees the customer s payment obligations under the loan to the third-party lender. A CSO program customer pays the Company a CSO fee for the credit services, including the guaranty, and enters into a contract with the Company governing the credit services arrangement. The Company is responsible for losses on cash advances assigned to or acquired by it under its guaranty. At December 31, 2006, the Company offered the CSO program in Texas, Florida and, on a limited basis, Michigan. In February 2007, the Company discontinued the CSO program in Michigan.

Check Cashing Fees, Royalties and Other. Check cashing fees, royalties and other income increased $2.2 million to $15.9 million in 2006, or 15.8%, from $13.7 million in 2005 predominantly due to the growth in cash advance units. The components of these fees were as follows (in thousands):

	Year Ended December 31,							
	2006				2005			
	Pawn Lending	**Cash Advance**	**Check Cashing**	**Total**	Pawn Lending	Cash Advance	Check Cashing	Total
Check cashing fees	**$ 373**	**$ 6,057**	**$ 569**	**$ 6,999**	$ 167	$ 5,339	$ 565	$ 6,071
Royalties	**569**		**3,173**	**3,742**	559		3,116	3,675
Other	**1,874**	**3,103**	**183**	**5,160**	2,001	1,846	138	3,985
	$ 2,816	**$ 9,160**	**$ 3,925**	**$ 15,901**	$ 2,727	$ 7,185	$ 3,819	$ 13,731

Operations Expenses. Consolidated operations expenses, as a percentage of total revenue, were 35.7% in 2006 compared to 37.3% in 2005. These expenses increased $25.7 million, or 11.6%, in 2006 compared to 2005. Pawn lending operating expenses increased $11.1 million, or 6.5%, primarily due to the net addition of 19 pawnshop locations in 2006. Cash advance operating expenses increased $14.7 million, or 28.5%, primarily as a result of increased advertising expenditures, growth in expenses in the Company s collection centers, the acquisition of CashNetUSA and the net establishment of 9 locations, which resulted in higher staffing levels.

As a multi-unit operator in the consumer finance industry, the Company s operations expenses are predominately related to personnel and occupancy expenses. Personnel expenses include base salary and wages, performance incentives, and benefits. Occupancy expenses include rent, property taxes, insurance,

utilities, and maintenance. The combination of personnel and occupancy expenses represents 82.7% of total operations expenses in 2006 and 84.4% in 2005. The comparison is as follows ($ in thousands):

	2006	**% of Revenue**	2005	% of Revenue
Personnel	**$ 140,261**	**20.2%**	$ 126,977	21.3%
Occupancy	**64,609**	**9.3**	60,416	10.1
Other	**42,837**	**6.2**	34,603	5.9
Total	**$ 247,707**	**35.7%**	$ 221,996	37.3%

The increase in personnel expenses was mainly due to unit additions since 2005, an increase in staffing levels, including at the Company s collection centers, the acquisition of CashNetUSA and normal recurring salary adjustments. The increase in occupancy expense was primarily due to unit additions, higher utility costs and property taxes.

The Company realigned its administrative activities during 2007 to create more direct oversight of operations. This change resulted in an increase in operations expenses late in 2007. For comparison purposes, the Company reclassified the same direct expenses from earlier periods out of administrative expenses and into operations expenses. The amounts reclassified in 2006 and 2005 were $1.8 million and $1.6 million, respectively. There was no change in the total amount of expenses related to this reclassification.

Administration Expenses. Consolidated administration expenses, as a percentage of total revenue, were 7.3% in 2006 compared to 7.2% in 2005. The components of administration expenses are as follows ($ in thousands):

	2006	**% of Revenue**	2005	% of Revenue
Personnel	**$ 33,780**	**4.9%**	$ 28,393	4.8%
Other	**17,204**	**2.4**	14,612	2.4
Total	**$ 50,984**	**7.3%**	$ 43,005	7.2%

The increase in administration expenses was principally attributable to increased staffing levels consistent with the Company s expansion into new markets and the internet distribution channel and an increase in accrued management incentive in conjunction with the financial performance of the Company compared to its business plan. The increase in these expenses was partially offset by a gain of $773,000 recognized from a partial insurance settlement in 2006 related to hurricanes in 2005.

The Company realigned its administrative activities during 2007 to create more direct oversight of operations. This change resulted in an increase in operations expenses late in 2007. For comparison purposes, the Company reclassified the same direct expenses from earlier periods out of administrative expenses and into operations expenses. The amounts reclassified in 2006 and 2005 were $1.8 million and $1.6 million, respectively. There was no change in the total amount of expenses related to this reclassification.

Cash Advance Loss Provision. The Company maintains an allowance for losses on cash advances at a level projected to be adequate to absorb credit losses inherent in the outstanding combined cash advance portfolio. The cash advance loss provision is utilized to increase the allowance carried against the outstanding company owned cash advance portfolio as well as expected losses in the third-party lender-owned portfolios which are guaranteed by the Company. The allowance is based on historical trends in portfolio performance based on the status of the balance owed by the customer with the full amount of the customer s obligations being completely reserved when they become 60 days past due. The cash advance

loss provision increased $16.8 million to $59.6 million in 2006, compared to $42.8 million in 2005. The increase was mainly attributable to the increased volume of cash advances written which was partially offset by a $2.0 million decrease as a result of lower loss rates. The loss provision as a percentage of cash advance fees increased to 30.5% in 2006 from 30.2% in 2005.

Total charge-offs less recoveries divided by total cash advances written decreased in 2006 to 3.9% compared to 4.3% in 2005. The decrease was partially related to underwriting changes made in late 2005 which resulted in lower loss rates, which in turn offset the reduction in year-over-year rates in cash advances written in 2006 compared to the prior year. The loss provision expense as a percentage of cash advances written was higher in 2006, increasing to 5.1% compared to 4.6% in the prior year mostly due to a significant increase in cash advance receivable balances as of year-end and the inclusion of the cash advance balance from online customers which carry a higher expected loss rate.

The following table summarizes the cash advance loss provision and combined allowance for losses and accrued third-party lender losses for the years ended at December 31, 2006 and 2005, and contains certain non-GAAP measures with respect to the cash advances written by third-party lenders that are not included in the Company s consolidated balance sheets and related statistics. The Company believes that presenting these non-GAAP measures is meaningful and necessary because management evaluates and measures the cash advance portfolio performance on an aggregate basis including its evaluation of the loss provision for the Company-owned portfolio and the third-party lender-owned portfolio that the Company guarantees ($ in thousands).

	Year Ended December 31,	
	2006	2005
Cash advance loss provision:		
Loss provision on Company-owned cash advances	**$ 59,284**	$ 42,302
Loss provision on third-party owned cash advances	**279**	532
Combined cash advance loss provision	**$ 59,563**	$ 42,834
Charge-offs, net of recoveries	**$ 46,080**	$ 40,351
Cash advances written:		
By the Company [(a)]	**$ 817,186**	$ 573,916
By third-party lenders [(b)] [(c)]	**360,577**	356,419
Combined cash advances written [(b)] [(d)]	**$ 1,177,763**	$ 930,335
Combined cash advance loss provision as a % of combined cash advances written [(b)] [(d)]	**5.1%**	4.6%
Charge-offs (net of recoveries) as a % of combined cash advances written [(b)] [(d)]	**3.9%**	4.3%

(a) Cash advances written by the Company in its pawn and cash advance locations and through the Company s internet

distribution channel.

(b) Non-GAAP presentation. For informational purposes and to provide a greater understanding of the Company s businesses. Management believes that information provided with this level of detail is meaningful and useful in understanding the activities and business metrics of the Company s operations.

(c) Cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at the Company s pawn and cash advance locations and through the Company s internet distribution channel.

(d) Includes (i) cash advances written by the

Company, and (ii) cash advances written by third-party lenders that were arranged by the Company on behalf of the third-party lenders, all at the Company s pawn and cash advance locations and through the Company s internet distribution channel.

Depreciation and Amortization. Depreciation and amortization expense as a percentage of total revenue was 3.9% in both 2006 and 2005. Total depreciation and amortization expenses increased $3.9 million, or 16.6%, primarily due to the increase in operating locations, additional depreciation on remodelings of pawn lending locations and the amortization of certain intangible assets obtained in acquisitions.

Table of Contents

Interest Expense. Interest expense as a percentage of total revenue decreased to 1.7% in 2006 from 1.8% in 2005. Interest expense increased $1.3 million, or 12.6%, to $11.9 million in 2006 as compared to $10.6 million in 2005. The increase was primarily due to the higher weighted average floating interest rate (6.2% during 2006 compared to 4.7% during 2005). The average amount of debt outstanding decreased during 2006 to $160.7 million from $168.3 million during 2005. The effective blended borrowing cost was 6.6% in 2006 and 6.3% in 2005.

On December 19, 2006, the Company issued $60.0 million of senior unsecured long-term notes. The notes were comprised of $35.0 million 6.09% senior notes due 2016 payable in five annual installment payments of $7.0 million beginning December 19, 2012; and $25.0 million 6.21% senior notes due 2021 payable in eleven annual payments of $2.3 million beginning December 19, 2011. Net proceeds received from the issuance of the notes were used to reduce the amount outstanding under the bank line of credit and for general corporate purposes.

Interest Income. Interest income was $1.6 million for both 2006 and 2005. Interest income was comprised of the interest earned on excess cash and on two subordinated notes denominated in Swedish kronor that the Company received in the sale of the foreign pawn lending operations.

Foreign Currency Transaction Gain (Loss). The Company held two notes receivable denominated in Swedish kronor in connection with its 2004 sale of its foreign pawn lending operations with a carrying value of $9.8 million at December 31, 2006. Exchange rate changes between the United States dollar and the Swedish kronor resulted in a net gain of $296,000 (net of a loss of $1.1 million from foreign currency forward contracts) in 2006 and a net loss of $834,000 (net of a gain of $731,000 from foreign currency forward contracts) in 2005. The foreign currency forward contracts totaling 68 million Swedish kronor (approximately $9.9 million at maturity) were established by the Company in 2005 to minimize the financial impact of currency market fluctuations.

Gain from Termination of Contract. In April 2006, the Company reached an agreement with a landlord of a lending location to terminate the lease and vacate the property for $2.2 million. The Company recorded a pre-tax net gain of $2.2 million ($1.4 million net of related taxes) from this transaction at that time. The closure of this significant pawn lending location reduced consolidated earnings for the remainder of the year.

Income Taxes. The Company s effective tax rate for 2006 was 36.6% as compared to 36.8% for 2005.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

The Company s cash flows and other key indicators of liquidity are summarized as follows ($ in thousands):

	Year Ended December 31,		
	2007	2006	2005
Operating activities cash flows	**$ 273,073**	$161,812	$123,320
Investing activities cash flows:			
Pawn loans	**(21,761)**	(26,359)	(19,697)
Cash advances	**(161,904)**	(77,349)	(45,828)
Acquisitions	**(82,557)**	(64,927)	(19,937)
Property and equipment additions	**(70,097)**	(46,355)	(27,255)
Proceeds from sale of foreign notes	**16,589**		
Proceeds from insurance claims	**1,416**	1,934	530
Proceeds from termination of contract and disposition of assets		2,198	486
Financing activities cash flows	**42,218**	55,917	(7,870)
Working capital	**$ 302,275**	$259,813	$232,556
Current ratio	**3.8x**	3.2x	4.8x
Merchandise turnover	**2.7x**	2.7x	2.7x

Cash flows from operating activities. Net cash provided by operating activities from continuing operations was $273.1 million for 2007, an increase of 68.8% compared to the prior year. Net cash generated by the Company s pawn lending operations, cash advance operations and check cashing operations were $99.8 million, $172.7 million and $594,000, respectively. The improvement in cash flows from operating activities in 2007 as compared to 2006 was primarily due to the improvement in results of pawn lending operations, the addition of CashNetUSA and the growth and development of cash advance locations opened in recent periods.

Historically, the Company s finance and service charge revenue is highest in the fourth fiscal quarter (October through December) due to higher average loan balances. Proceeds from the disposition of merchandise are generally highest in the Company s fourth and first fiscal quarters (October through March) due to the holiday season and the impact of tax refunds. The net effect of these factors is that income from continuing operations typically is highest in the fourth and first fiscal quarters and likewise the Company s cash flow is generally greatest in these two fiscal quarters.

Cash flows from investing activities. The Company s pawn lending activities used cash of $21.8 million and cash advance activities used cash of $161.9 million during the current period. The Company also invested $70.1 million in property and equipment, including $17.6 million toward the development of a new point-of-sale system and $52.5 million for the establishment of new locations, the remodeling of certain locations, as well as development and enhancements to communications and information systems. In addition, the Company received $1.4 million of proceeds from insurance claims.

During the year ended December 31, 2007, the Company s acquisition of pawnshop assets used cash of $3.8 million. Additionally, the Company made two supplemental payments of $33.8 million and $43.4 million in February 2007 and November 2007, respectively, and paid other acquisition costs of approximately $1.7 million in connection with the acquisition of substantially all of the assets of The Check Giant LLC (TCG). To the extent that the defined multiple of earnings attributable to the business acquired from TCG exceeds the total amounts paid through the supplemental payment measurement dates, as defined in the asset purchase agreement, the Company will make additional payments to the sellers in May and November of 2008. As of December 31, 2007, the Company has accrued to accounts payable approximately $22.0 million for this payment based on the defined multiple of trailing twelve months earnings through

December 31, 2007. The next measurement date will be March 31, 2008. The magnitude of these payments could be significant if the past success of the business continues throughout 2008.

In August 2007, the Company received gross proceeds in the amount of $16.8 million on the sale of notes receivable that it had received in September 2004 as part of the proceeds from its sale of Svensk Pantbelåning, its former Swedish pawn lending subsidiary to Rutland Partners LLP, for cash and two subordinated notes receivable. One of the notes receivable was convertible into approximately 27.7% of the parent company of Svensk Pantbelåning on a fully-diluted basis. In August 2007, Rutland Partners LLP sold Svensk Pantbelåning to a third party who also purchased the notes receivable from the Company. The Company s total proceeds of $16.8 million represent $12.4 million in the repayment of principal, including $0.3 million of accrued interest owed on notes receivable and $4.4 million for the value of its conversion rights under the convertible note. For the year ended December 31, 2007, the Company recognized a pre-tax gain of approximately $6.3 million from the sale of the notes and related rights. Proceeds from the sale were used for general corporate purposes, including the repayment of debt and the repurchase of shares in the open market pursuant to an existing share repurchase authorization.

Management anticipates that capital expenditures for 2008 will be approximately $50 to $60 million, primarily for the remodeling of selected operating units, for the continuing development and enhancements to communications and information systems, including the multi-year project to upgrade the Company s proprietary point-of-sale and information system, and for the establishment of approximately three to ten combined total of new cash advance-only locations and pawnshops. The additional capital required to make supplemental acquisition payments related to the CashNetUSA acquisition and to pursue other acquisition opportunities is not included in the estimate of capital expenditures because of the uncertainties surrounding such payments or any potential transaction of this nature at this time. Management expects the implementation of the new point-of-sale system, which will occur during 2008, will result in a substantial increase in depreciation expense.

Cash flows from financing activities. During 2007, the Company borrowed $90.1 million under its bank lines of credit. The Company reduced the balance owed on its senior unsecured notes by $21.1 million through the scheduled principal payments. Additional uses of cash included $4.1 million for dividends paid. On April 20, 2005, the Board of Directors authorized the Company s repurchase of up to a total of 1,500,000 shares of its common stock (the 2005 authorization). At its regularly scheduled meeting of its Board of Directors on October 24, 2007, the Board established a new authorization (the 2007 authorization) for the repurchase of 1,500,000 shares and ended the 2005 authorization. Management expects to purchase shares of the Company from time to time in the open market, and funding will come from operating cash flow. During the year ended December 31, 2007, 667,600 shares were purchased for an aggregate amount of $23.6 million under the 2005 authorization and the 2007 authorization. In addition, 9,794 shares were acquired as partial payments of taxes for shares issued under stock-based compensation plans for an aggregate amount of $408,000. During 2007, stock options for 69,854 shares were exercised which generated $0.8 million of additional equity.

In March 2007, the Company amended its line of credit to extend the final maturity by two years, to March 2012. The amended credit agreement also contained a provision for the ratable $50.0 million increase in the committed amounts, up to $300.0 million, upon the Company s request and approval by the lenders. The Company exercised the increase provision on February 29, 2008. As a result, as of that date, the committed amount under its line of credit is $300.0 million. The line of credit agreement and the senior unsecured notes require that the Company maintain certain financial ratios. The Company is in compliance with all covenants and other requirements set forth in its debt agreements. A significant decline in demand for the Company s products and services may cause the Company to reduce its planned level of capital expenditures and lower its working capital needs in order to maintain compliance with the financial ratios in those agreements. A violation of the credit agreement or the senior unsecured note agreements could result in an acceleration of the Company s debt and increase the Company s borrowing costs and could adversely affect the Company s ability to renew its existing credit facility or obtain new credit on favorable terms in the future. The Company does not anticipate a significant decline in demand for its services and has historically been successful in maintaining compliance with and renewing its debt agreements.

Table of Contents

The following table summarizes the Company s contractual obligations of its continuing operations at December 31, 2007, and the effect such obligations are expected to have on its liquidity and cash flow in future periods (in thousands):

	2008	2009	2010	2011	2012	Thereafter	**Total**
Bank line of credit	$	$	$	$	$ 171,777	$	**$ 171,777**
Other long-term debt	8,500	8,500	6,667	8,939	15,939	68,455	**117,000**
Interest on other long-term debt [1]	7,356	6,744	6,132	5,724	5,175	13,062	**44,193**
Non-cancelable leases	36,461	29,498	19,688	14,252	8,886	23,856	**132,641**
Total	$ 52,317	$ 44,742	$ 32,487	$ 28,915	$ 201,777	$ 105,373	**$ 465,611**

(1) Excludes interest obligations under the line of credit agreement. See Note 8 of Notes to Consolidated Financial Statements.

Management believes that the borrowings available ($75.4 million at December 31, 2007) under the credit facilities, including the flexibility to increase its bank line of credit by $50.0 million, cash generated from operations and current working capital of $302.3 million should be sufficient to meet the Company s anticipated capital requirements. Management intends to monitor the magnitude of the potential earn-out payments related to the CashNetUSA acquisition and may defer certain non-essential capital investments until after 2008.

Off-Balance Sheet Arrangements with Third-Party Lenders

The Company arranges for consumers to obtain cash advance products from multiple independent third-party lenders through the CSO program. As of December 31, 2007, the CSO program was available to consumers in 319 of the Company s lending locations and online borrowers located in the states of Florida and Texas. When a consumer executes a credit services agreement with the Company, the Company agrees, for a fee payable to the Company by the consumer, to provide a variety of credit services to the consumer, one of which is to guarantee the consumer s obligation to repay the loan received by the consumer from the third-party lender if the consumer fails to do so. The Company discontinued the CSO program in Michigan in February 2007, and has since offered only cash advances underwritten by the Company to customers in that state. In January of 2008, the Company began offering a CSO program in the state of Maryland through its online platform.

For cash advance products originated by third-party lenders, each lender is responsible for evaluating each of its customers applications, determining whether to approve a cash advance based on an application and determining the amount of the cash advance. The Company is not involved in the lenders cash advance approval processes or in determining the lenders approval procedures or criteria. At December 31, 2007, the outstanding amount of active cash advances originated by third-party lenders was $34.6 million.

Since the Company may not be successful in collecting all amounts funded under the terms of its guaranty, the Company s cash advance loss provision includes amounts estimated to be adequate to absorb credit losses from cash advances in the aggregate cash advance portfolio, including those expected to be assigned to the Company or acquired by the Company as a result of its guaranty obligations. Accrued losses of $1.8 million on portfolios owned by the third-party lenders are included in Accounts payable and accrued expenses in the consolidated balance sheets. The Company believes that this amount is adequate to absorb credit losses from cash advances expected to be assigned to

the Company or acquired by the Company as a result of its guaranty obligations.

Table of Contents

CAUTIONARY STATEMENT REGARDING RISKS AND UNCERTAINTIES THAT MAY AFFECT FUTURE RESULTS

This Annual Report on Form 10-K, including Management s Discussion and Analysis of Financial Condition and Results of Operations, contains statements that are forward-looking, as that term is defined by the Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission in its rules. The Company intends that all forward-looking statements be subject to the safe harbors created by these laws and rules. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties including, without limitation, changes in demands for the Company s services, the actions of third parties who offer products and services at the Company s locations, fluctuations in the price of gold, changes in competition, the ability of the Company to open new operating units in accordance with its plans, economic conditions, real estate market fluctuations, interest rate fluctuations, changes in the capital markets, changes in foreign currency exchange rates, changes in tax and other laws and governmental rules and regulations applicable to the Company s business, the effect of such changes on the Company s business or the markets in which it operates, or the ability to successfully integrate newly acquired businesses into the Company s operations. When used in this Annual Report on Form 10-K, the words believes, estimates, plans, expects, anticipates, and similar expressions as they relate to the Company management are intended to identify forward-looking statements. All forward-looking statements are based on current expectations regarding important risk factors. These risks and uncertainties are beyond the ability of the Company to control, and, in many cases, the Company cannot predict all of the risks and uncertainties that could cause its actual results to differ materially from those expressed in the forward-looking statements. Such statements should not be regarded as a representation by the Company or any other person that the results expressed in the statements will be achieved.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to the Company s operations result primarily from changes in interest rates, foreign currency exchange rates and gold prices. The Company does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes.

Interest Rate Risk. Management s objective is to minimize the cost of borrowing through an appropriate mix of fixed and floating rate debt. Derivative financial instruments, such as interest rate cap agreements, may be used for the purpose of managing fluctuating interest rate exposures that exist from ongoing business operations. In December 2007, the Company entered into an interest rate cap agreement with a notional amount of $10.0 million of the Company s outstanding floating rate line of credit for a term of 24 months at a fixed LIBOR rate of 4.75%. This interest rate cap agreement was perfectly effective at December 31, 2007. The Company had variable rate borrowings outstanding of $171.8 million and $81.7 million at December 31, 2007 and 2006, respectively. Interest rates on $10.0 million of the net variable rate borrowings at December 31, 2007 were capped at 4.75%. Interest rates on $15.0 million of the net variable rate borrowings at December 31, 2006 were capped at 4.5%. If prevailing interest rates were to increase 100 basis points over the rates at December 31, 2007 and 2006, respectively, and the variable rate borrowings outstanding remained constant, the Company s interest expense would increase by $1.6 million and $667,000, and net income after taxes would decrease by $1.1 million and $433,000 in 2007 and 2006, respectively.

Gold Price Risk. The Company periodically uses forward sale contracts with a major gold bullion bank to sell a portion of the expected amount of refined gold produced in the normal course of business from its liquidation of forfeited gold merchandise. A significant decrease in the price of gold would result in a reduction of proceeds from the disposition of refined gold to the extent that amounts sold were in excess of the amount of contracted forward sales. In addition, a significant and sustained decline in the price of gold would negatively impact the value of some of the goods pledged as collateral by customers and identified for liquidation as refined gold. In this instance, management believes some customers would be willing to add additional items of value to their pledge in order to obtain the desired loan amount. However, those

customers unable or unwilling to provide additional collateral would receive lower loan amounts, possibly resulting in a lower balance of pawn loans outstanding for the Company.

Foreign Currency Exchange Risk. The Company is subject to the risk of an unexpected change in British pound exchange rates as a result of its loans to residents of the United Kingdom. As a result of fluctuations in the British pound, the Company recorded foreign currency transaction losses of $87,000 in 2007. Forward contracts in the amount of 1.0 million British pounds were established in 2007 to minimize the effect of market fluctuations. A hypothetical 10% decline in the exchange rate of the British pound at December 31, 2007 would have decreased net income by $171,000.

In addition, the notes receivable received in the sale of the Company s foreign operations subjected the Company to the risk of unexpected changes in Swedish kronor exchange rates. The Company recorded a net gain of $63,000 as a result of fluctuations in the Swedish kronor during 2007. These notes receivable were sold in August 2007.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm	55
Report of Management on Internal Control over Financial Reporting	56
Consolidated Balance Sheets December 31, 2007 and 2006	57
Consolidated Statements of Income Years Ended December 31, 2007, 2006 and 2005	58
Consolidated Statements of Stockholders Equity Years Ended December 31, 2007, 2006 and 2005	59
Consolidated Statements of Comprehensive Income Years Ended December 31, 2007, 2006 and 2005	59
Consolidated Statements of Cash Flows Years Ended December 31, 2007, 2006 and 2005	60
Notes to Consolidated Financial Statements	61

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Cash America International, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholders equity, comprehensive income and cash flows present fairly, in all material respects, the financial position of Cash America International, Inc. and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, 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 Report of Management on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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, and evaluating the overall financial statement presentation.

Our audit of internal control over financial reporting 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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.

/s/ PricewaterhouseCoopers LLP
Fort Worth, Texas
February 20, 2008

Table of Contents

REPORT OF MANAGEMENT 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 the Company s internal control over financial reporting. The 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. The Company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) 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 (iii) 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.

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2007. In making its assessment of the effectiveness of the Company s internal control over financial reporting, management of the Company has utilized the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on management s assessment, we concluded that, as of December 31, 2007, the Company s internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company s internal control over financial reporting as of December 31, 2007 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this Form 10-K.

/s/ DANIEL R. FEEHAN	/s/ THOMAS A. BESSANT, JR.
Daniel R. Feehan President and Chief Executive Officer	Thomas A. Bessant, Jr. Executive Vice President and Chief Financial Officer
February 29, 2008	February 29, 2008

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 22,725	$ 25,723
Pawn loans	137,319	127,384
Cash advances, net	88,148	79,975
Merchandise held for disposition, net	98,134	87,060
Finance and service charges receivable	26,963	25,377
Other receivables and prepaid expenses	16,292	16,128
Deferred tax assets	20,204	16,324
Total current assets	409,785	377,971
Property and equipment, net	161,676	119,261
Goodwill	306,221	238,499
Intangible assets, net	23,484	27,477
Other assets	3,478	13,036
Total assets	$ 904,644	$ 776,244
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 87,399	$ 91,217
Customer deposits	7,856	7,464
Income taxes currently payable	3,755	2,691
Current portion of long-term debt	8,500	16,786
Total current liabilities	107,510	118,158
Deferred tax liabilities	18,584	12,770
Other liabilities	1,671	1,625
Long-term debt	280,277	202,963
Total liabilities	408,042	335,516
Commitments and contingencies (Note 10)		
Stockholders equity:		
Common stock, $.10 par value per share, 80,000,000 shares authorized, 30,235,164 shares issued	3,024	3,024
Additional paid-in capital	163,581	161,683
Retained earnings	363,180	287,962
Accumulated other comprehensive income	16	20
Notes receivable secured by common stock		(18)
	(33,199)	(11,943)

Treasury shares, at cost (1,136,203 shares and 565,840 shares at December 31, 2007 and 2006, respectively)		
Total stockholders equity	496,602	440,728
Total liabilities and stockholders equity	$ 904,644	$ 776,244

See notes to consolidated financial statements.

57

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Year Ended December 31,		
	2007	2006	2005
Revenue			
Finance and service charges	**$ 160,960**	$ 149,472	$ 139,772
Proceeds from disposition of merchandise	**396,821**	334,036	300,192
Cash advance fees	**355,196**	195,105	142,068
Check cashing fees, royalties and other	**16,417**	15,901	13,731
Total Revenue	**929,394**	694,514	595,763
Cost of Revenue			
Disposed merchandise	**246,792**	204,929	183,799
Net Revenue	**682,602**	489,585	411,964
Expenses			
Operations	**304,480**	247,707	221,996
Cash advance loss provision	**155,238**	59,563	42,834
Administration	**57,250**	50,984	43,005
Depreciation and amortization	**32,125**	27,312	23,417
Total Expenses	**549,093**	385,566	331,252
Income from Operations	**133,509**	104,019	80,712
Interest expense	**(16,021)**	(11,945)	(10,610)
Interest income	**1,041**	1,631	1,614
Foreign currency transaction (loss) gain	**(24)**	296	(834)
Gain from termination of contract		2,167	
Gain on sale of foreign notes	**6,260**		
Income from Continuing Operations before Income Taxes	**124,765**	96,168	70,882
Provision for income taxes	**45,419**	35,228	26,061
Income from Continuing Operations	**79,346**	60,940	44,821
Loss from disposal of discontinued operations before income tax benefit			(56)
Income tax benefit			253
Income from discontinued operations			197
Net Income	**$ 79,346**	$ 60,940	$ 45,018

Earnings Per Share:

Basic

Income from continuing operations	**$ 2.68**	$ 2.05	$ 1.53
Income from discontinued operations	**$**	$	$ 0.01
Net income	**$ 2.68**	$ 2.05	$ 1.54
Diluted			
Income from continuing operations	**$ 2.61**	$ 2.00	$ 1.48
Income from discontinued operations	**$**	$	$ 0.01
Net income	**$ 2.61**	$ 2.00	$ 1.49
Weighted average common shares outstanding:			
Basic	**29,643**	29,676	29,326
Diluted	**30,349**	30,532	30,206
Dividends declared per common share	**$ 0.14**	$ 0.10	$ 0.10

See notes to consolidated financial statements.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
(in thousands, except share data)

	Year Ended December 31,					
	2007		2006		2005	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Common stock						
Balance at end of year	**30,235,164**	**$ 3,024**	30,235,164	$ 3,024	30,235,164	$ 3,024
Additional paid-in capital						
Balance at beginning of year		**161,683**		156,557		154,294
Shares issued under stock-based plans		**(2,015)**		(2,765)		(445)
Stock-based compensation expense		**3,060**		2,623		1,677
Excess tax benefit from stock-based compensation		**853**		5,268		1,031
Balance at end of year		**163,581**		161,683		156,557
Retained earnings						
Balance at beginning of year		**287,962**		229,975		187,860
Net income		**79,346**		60,940		45,018
Dividends declared		**(4,128)**		(2,953)		(2,903)
Balance at end of year		**363,180**		287,962		229,975
Accumulated other comprehensive income (loss)						
Balance at beginning of year		**20**		(5)		
Unrealized derivatives (loss) gain		**(20)**		25		(5)
Foreign currency translation gain		**16**				
Balance at end of year		**16**		20		(5)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,		
	2007	2006	2005

Net income	**$ 79,346**	$ 60,940	$ 45,018
Other comprehensive loss			
Unrealized derivative (loss) gain, net of tax expense (benefit) of $(11), $14 and $(3)	**(20)**	25	(5)
Foreign currency translation gain, net of tax expense of $9	**16**		
Total Comprehensive Income	**$ 79,342**	$ 60,965	$ 45,013

See notes to consolidated financial statements.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2007	2006	2005
Cash Flows from Operating Activities of Continuing Operations:			
Net income	**$ 79,346**	$ 60,940	$ 45,018
Income from discontinued operations			(197)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**32,125**	27,312	23,417
Cash advance loss provision	**155,238**	59,563	42,834
Stock-based compensation expense	**3,060**	2,623	1,677
Foreign currency transaction (gain) loss	**24**	(296)	834
Gain on termination of contract		(2,167)	
Gain on sale of foreign notes	**(6,260)**		
Changes in operating assets and liabilities			
Merchandise held for disposition	**1,765**	7,128	12,499
Finance and service charges receivable	**(2,305)**	(4,579)	(1,861)
Other receivables and prepaid expenses	**(2,216)**	(4,981)	(3,191)
Accounts payable and accrued expenses	**8,968**	17,969	4,264
Customer deposits, net	**328**	696	461
Current income taxes, net	**1,917**	6,510	229
Excess income tax benefit from stock-based compensation	**(853)**	(5,268)	(1,031)
Deferred income taxes, net	**1,936**	(3,638)	(1,633)
Net cash provided by operating activities of continuing operations	**273,073**	161,812	123,320
Cash Flows from Investing Activities of Continuing Operations:			
Pawn loans made	**(435,046)**	(395,104)	(361,077)
Pawn loans repaid	**218,920**	210,177	202,015
Principal recovered on forfeited loans through dispositions	**194,365**	158,568	139,365
Cash advances made, assigned or purchased	**(1,162,952)**	(759,822)	(624,303)
Cash advances repaid	**1,001,048**	682,473	578,475
Acquisitions, net of cash acquired	**(82,557)**	(64,927)	(19,937)
Purchases of property and equipment	**(70,097)**	(46,355)	(27,255)
Proceeds from sale of foreign notes	**16,589**		
Proceeds from insurance claims	**1,416**	1,934	530
Proceeds from disposition of assets and termination of contract		2,198	486
Net cash used by investing activities of continuing operations	**(318,314)**	(210,858)	(111,701)
Cash Flows from Financing Activities of Continuing Operations:			
Net borrowings (repayments) under bank line of credit	**90,100**	10,540	(21,346)
Issuance of long-term notes		60,000	40,000

Debt issuance costs paid	**(282)**	(261)	(1,328)
Payments on notes payable and other obligations	**(21,072)**	(16,786)	(19,286)
Payments on notes receivable secured by common stock	**18**	2,470	
Proceeds from exercise of stock options	**761**	7,241	2,202
Excess income tax benefit from stock-based compensation	**853**	5,268	1,031
Treasury shares purchased	**(24,032)**	(9,602)	(6,240)
Dividends paid	**(4,128)**	(2,953)	(2,903)
Net cash provided (used) by financing activities of continuing operations	**42,218**	55,917	(7,870)
Effect of exchange rates on cash	**25**		
Net (decrease) increase in cash and cash equivalents	**(2,998)**	6,871	3,749
Cash and cash equivalents at beginning of year	**25,723**	18,852	15,103
Cash and cash equivalents at end of year	**$ 22,725**	$ 25,723	$ 18,852

See notes to consolidated financial statements.

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Company

Cash America International, Inc. (the Company) is a provider of specialty financial services to individuals. The Company offers secured non-recourse loans, commonly referred to as pawn loans, to individuals through its pawn lending operations. The pawn loan portfolio generates finance and service charges revenue. A related activity of the pawn lending operations is the disposition of merchandise, primarily collateral from unredeemed pawn loans. The Company also offers unsecured cash advances in selected lending locations and over the internet and on behalf of independent third-party lenders in other locations and over the internet. In addition, the Company provides check cashing and related financial services through many of its lending locations and through its franchised and company-owned check cashing centers. Since the acquisition of the assets of The Check Giant, LLC (TCG) in September 2006, the Company has offered short-term cash advances exclusively over the internet under the name CashNetUSA in the United States and, beginning in July 2007, under the name QuickQuid in the United Kingdom.

On September 15, 2006, the Company, through its wholly-owned subsidiary Cash America Net Holdings, LLC, purchased substantially all of the assets of TCG, which offered short-term cash advances exclusively over the internet under the name CashNetUSA. The Company paid an initial purchase price of approximately $35.9 million in cash at closing and transaction costs of approximately $2.9 million. The operating results of CashNetUSA have been included in the Company s consolidated financial statements from the date of acquisition. See Note 3.

As of December 31, 2007, the Company had 942 total locations and an internet-based subsidiary offering products and services to its customers. The pawn lending operations consisted of 499 pawnshops, including 485 owned units and 14 unconsolidated franchised units in 22 states. The cash advance operations consisted of 304 locations in seven states, and CashNetUSA which serves multiple markets through its internet distribution channel and had cash advances outstanding in 32 states and the United Kingdom. The check cashing operations consisted of 139 total locations, including 134 franchised and five company-owned check cashing centers in 18 states.

2. Summary of Significant Accounting Policies

Basis of Presentation The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, merchandise held for disposition, allowance for losses on cash advances, long-lived and intangible assets, income taxes, contingencies and litigation. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Foreign Currency Translations Notes receivable and related interest receivable resulting from the sale of the Company s foreign pawn lending operations are denominated in Swedish kronor. The balances are

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Interest income on the notes was translated at the monthly average exchange rates. In August 2007, the Company completed the sale of these notes. See Note 21. All realized and unrealized transaction gains and losses are included in determining net income for the reporting period.

The functional currency for the Company s subsidiary (CashEuroNet UK, LLC) is the British pound. The assets and liabilities of this subsidiary are translated into U.S. dollars at the exchange rates in effect at each balance sheet date, and the resulting adjustments are accumulated in other comprehensive income (loss) as a separate component of stockholders equity. Revenue and expenses are translated at the monthly average exchange rates occurring during each year.

Cash and Cash Equivalents The Company considers cash on hand in operating locations, deposits in banks and short-term marketable securities with original maturities of 90 days or less as cash and cash equivalents.

Revenue Recognition

Pawn Lending Pawn loans are made on the pledge of tangible personal property. The Company accrues finance and service charges revenue only on those pawn loans that the Company deems collectible based on historical loan redemption statistics. Pawn loans written during each calendar month are aggregated and tracked for performance. The gathering of this empirical data allows the Company to analyze the characteristics of its outstanding pawn loan portfolio and estimate the probability of collection of finance and service charges. For loans not repaid, the carrying value of the forfeited collateral (merchandise held for disposition) is stated at the lower of cost (cash amount loaned) or market. Revenue is recognized at the time that merchandise is sold. Interim customer payments for layaway sales are recorded as customer deposits and subsequently recognized as revenue during the period in which the final payment is received.

Cash Advances Cash advances provide customers with cash in exchange for a promissory note or other repayment agreement supported, in most cases, by that customer s personal check or authorization to debit that customer s account via an Automated Clearing House (ACH) transaction for the aggregate amount of the payment due. The customer may repay the cash advance either in cash, or, as applicable, by allowing the check to be presented for collection, or by allowing the customer s checking account to be debited through an ACH for the amount due. The Company accrues fees and interest on cash advances on a constant yield basis ratably over the period of the cash advance, pursuant to its terms. (Although cash advance transactions may take the form of loans or deferred check deposit transactions, the transactions are referred to throughout this discussion as cash advances for convenience.)

The Company provides a cash advance product in some markets under a credit services organization program, in which the Company assists in arranging loans for customers from independent third-party lenders. The Company also guarantees the customer s payment obligations in the event of default if the customer is approved for and accepts the loan. The borrower pays fees to the Company under the credit services organization program (CSO fees) for performing services on the borrower s behalf, including credit services, and for agreeing to guaranty the borrower s payment obligations to the lender. As a result of providing the guaranty, the CSO fees are deferred and amortized over the term of the loan and recorded as cash advance fees in the accompanying consolidated statements of income. The contingent loss on the guaranteed loans is accrued and recorded as a liability. See Note 4.

Check Cashing Fees, Royalties and Other The Company records check cashing fees derived from both check cashing locations it owns and many of its lending locations in the period in which the check cashing service is provided. It records royalties derived from franchise locations on an accrual basis. Revenues

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

derived from other financial services such as money order commissions, prepaid debit card fees, etc. are recognized when earned.

Allowance for Losses on Cash Advances In order to manage the portfolio of cash advances effectively, the Company utilizes a variety of underwriting criteria, monitors the performance of the portfolio, and maintains either an allowance or accrual for losses.

The Company maintains either an allowance or accrual for losses on cash advances (including fees and interest) at a level estimated to be adequate to absorb credit losses inherent in the outstanding combined Company and third-party lender portfolio (the portion owned by independent third-party lenders). The allowance for losses on Company-owned cash advances offsets the outstanding cash advance amounts in the consolidated balance sheets. Active third-party lender-originated cash advances are not included in the consolidated balance sheets. An accrual for contingent losses on third-party lender-owned cash advances that are guaranteed by the Company is maintained and included in Accounts payable and accrued expenses in the consolidated balance sheets.

The Company aggregates and tracks cash advances written during each calendar month to develop a performance history. The Company stratifies the outstanding combined portfolio by age, delinquency, and stage of collection when assessing the adequacy of the allowance for losses. It uses historical collection performance adjusted for recent portfolio performance trends to develop the expected loss rates used to establish either the allowance or accrual. Increases in either the allowance or accrual are created by recording a cash advance loss provision in the consolidated statements of income. The Company charges off all cash advances once they have been in default for 60 days or sooner if deemed uncollectible. Recoveries on losses previously charged to the allowance are credited to the allowance when collected.

The Company s online distribution channel periodically sells selected cash advances that have been previously written off. Proceeds from these sales are recorded as recoveries on losses previously charged to the allowance for losses.

The allowance deducted from the carrying value of cash advances was $25.7 million and $19.5 million at December 31, 2007 and 2006, respectively. The accrual for losses on third-party lender-owned cash advances was $1.8 million and $1.2 million at December 31, 2007 and 2006, respectively. See Note 4.

Merchandise Held for Disposition and Cost of Disposed Merchandise Merchandise held for disposition includes merchandise acquired from unredeemed loans, merchandise purchased directly from the public and merchandise purchased from vendors. Merchandise held for disposition is stated at the lower of cost (specific identification) or market. The cost of merchandise, computed on the specific identification basis, is removed from merchandise held for disposition and recorded as a cost of revenue at the time of sale. Cash received upon the sale of forfeited merchandise is classified as a recovery of principal on unredeemed loans under investing activities and any related profit or loss on disposed merchandise is included in operating activities in the period when the merchandise is sold. The Company provides an allowance for valuation and shrinkage based on management s evaluation of the characteristics of the merchandise. The allowance deducted from the carrying value of merchandise held for disposition amounted to $2.0 million and $1.9 million at December 31, 2007 and 2006, respectively.

Table of Contents

Property and Equipment Property and equipment is recorded at cost. The cost of property retired or sold and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the consolidated statements of income. Depreciation expense is generally provided on a straight-line basis, using the following estimated useful lives:

Buildings and building improvements [(1)]	7 to 40 years
Leasehold improvements [(2)]	2 to 10 years
Furniture, fixtures and equipment	3 to 7 years
Computer software	3 to 5 years

(1) Structural components are depreciated over 30 to 40 years and the remaining building systems and features are depreciated over 7 to 20 years.

(2) Leasehold improvements are depreciated over the terms of the lease agreements with a maximum of 10 years.

Software Development Costs The Company develops computer software for internal use. Internal and external costs incurred for the development of computer applications, as well as for upgrades and enhancements that result in additional functionality of the applications, are capitalized. Internal and external training and maintenance costs are charged to expense as incurred. When an application is placed in service, the Company begins amortizing the related capitalized software costs using the straight-line method based on its estimated useful life which currently ranges from 3 to 5 years.

Goodwill and Other Intangible Assets SFAS No. 142, *Goodwill and Other Intangible Assets,* became effective January 1, 2002, and, as a result, the Company discontinued the amortization of goodwill as of that date. In lieu of amortization, the Company is required to perform an impairment review of goodwill at least annually. The Company completed its reviews during 2007, 2006 and 2005. Based on the results of these tests, management determined that there was no impairment as the respective fair values of each of the Company s reporting units exceeded their respective carrying amounts. See Note 6.

The Company amortizes intangible assets with an estimable life on the basis of their expected periods of benefit, generally 3 to 10 years. The costs of start-up activities and organization costs are charged to expense as incurred.

Impairment of Long-Lived Assets An evaluation of the recoverability of property and equipment and intangible assets is performed whenever the facts and circumstances indicate that the carrying value may be impaired. An impairment loss is recognized if the future undiscounted cash flows associated with the asset are less than the asset s corresponding carrying value. The amount of the impairment loss, if any, is the excess of the asset s carrying value over its estimated fair value.

Income Taxes The provision for income taxes is based on income before income taxes as reported for financial statement purposes. Deferred income taxes are provided for in accordance with the assets and liability method of accounting for income taxes in order to recognize the tax effects of temporary differences between financial statement and income tax accounting.

Effective January 1, 2007, the Company began accounting for uncertainty in income taxes recognized in the consolidated financial statements in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 requires that a more-likely-than-not threshold be met before the benefit of a tax position may be recognized in the consolidated financial statements and prescribes how such benefit should be measured. It also provides guidance on derecognition, classification, accrual of interest and penalties, accounting in interim periods, disclosure and transition. It requires that the new standard be applied to the balances of assets and

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CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(Continued)

liabilities as of the beginning of the period of adoption and that a corresponding adjustment be made to the opening balance of retained earnings. See Note 9.

It is the Company s policy to classify interest and penalties on income tax liabilities as interest expense and administrative expense, respectively. The Company did not change its policy on classification of such amounts upon adoption of FIN 48.

Hedging and Derivatives Activity As a policy, the Company does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes. The Company does periodically use derivative financial instruments, such as interest rate cap agreements, for the purpose of managing interest rate exposures that exist from ongoing business operations. In December 2007, the Company entered into an interest rate cap agreement that has been determined to be a perfectly effective cash flow hedge pursuant to SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), and its corresponding amendments under SFAS No. 138 *Accounting for Certain Derivative Instruments and Certain Hedging Activities an Amendment of FASB Statement No. 133* (SFAS 138) and SFAS No. 149 *Amendment of FASB Statement No. 133 on Derivative and Hedging Activities* (SFAS 149). The fair value of the interest rate cap agreement is recognized in the accompanying consolidated balance sheets and changes in its fair value are recognized in accumulated other comprehensive income/loss. The Company also entered into foreign currency forward contracts in 2007 to minimize the effect of market fluctuations. See Note 13. The Company may periodically enter into forward sale contracts with a major gold bullion bank to sell refined gold that is produced in the normal course of business from the Company s liquidation of forfeited gold merchandise. These contracts are not accounted for as derivatives because they meet the criteria for the normal purchases and normal sales scope exception in SFAS 133.

Operations and Administration Expenses Operations expenses include expenses incurred for personnel, occupancy and marketing that are directly related to the pawn lending, cash advance and check cashing operations. These costs are incurred within the lending locations and the Company s call centers for customer service and collections. In addition, similar costs related to non-home office management supervision, oversight of locations and similar costs incurred by the Retail Services Division for the oversight of the Company s physical lending locations are included in operations expenses. Administration expenses include expenses incurred for personnel and general office activities such as accounting and legal directly related to corporate administrative functions.

Marketing Expenses Costs of advertising and direct customer procurement are expensed at the time of first occurrence and included in operating expenses. Advertising expense for continuing operations was $35.0 million, $18.5 million and $12.9 million for the years ended December 31, 2007, 2006, and 2005, respectively.

Stock-Based Compensation Beginning January 1, 2006, the Company has accounted for its stock-based employee compensation plans in accordance with Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS 123R), using the modified prospective method. Under the modified prospective method, the Company is required to recognize compensation expense over the remaining vesting periods for the portion of stock-based awards for which the requisite service had not been rendered as of January 1, 2006. Prior to January 1, 2006, stock-based compensation was accounted for in accordance with Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees,* often referred to as the intrinsic value based method, and no compensation expense was recognized for the stock options. The consolidated financial statements for the year ended December 31, 2005, which was prior to the adoption of SFAS 123R, have not been restated and do not reflect the recognition of the compensation cost related to the stock options. The Company has elected to use the transition method of FASB Staff

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Position FAS 123(R)-3, *Transition Election Related to Accounting for Tax Effects of Share-Based Awards* (FSP FAS 123 (R)-3), the short-cut method to determine its pool of windfall tax benefits as of January 1, 2006. The following table illustrates the effect on net income and earnings per share had the Company applied SFAS No. 123R for the year ended December 31, 2005 (in thousands, except per share amounts).

	2005
Income from continuing operations as reported	$ 44,821
Deduct: Stock-based compensation expense [a]	65
Income from continuing operations pro forma	$ 44,756
Net income as reported	$ 45,018
Deduct: Stock-based employee compensation expense [a]	65
Net income pro forma	$ 44,953
Net income per share	
Basic:	
Income from continuing operations as reported	$ 1.53
Income from continuing operations pro forma	$ 1.53
Net income as reported	$ 1.54
Net income pro forma	$ 1.54
Diluted:	
Income from continuing operations as reported	$ 1.48
Income from continuing operations pro forma	$ 1.48
Net income as reported	$ 1.49
Net income pro forma	$ 1.48

(a) Determined under fair value based method for all awards, net of related tax effects. All awards refers to awards granted, modified, or settled in fiscal periods beginning after December 15, 1994, that is, options for which the fair value was required to be measured under

SFAS 123.

Net Income Per Share Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated by giving effect to the potential dilution that could occur if securities or other contracts to issue common shares were exercised and converted into common shares during the year. Units issued under the Company s restricted stock awards are included in diluted shares upon the granting of the awards even though the vesting of shares will occur over time.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth the reconciliation of numerators and denominators of basic and diluted earnings per share computations for the years ended December 31, 2007, 2006 and 2005 (in thousands, except per share amounts):

	2007	2006	2005
Numerator:			
Income from continuing operations available to common stockholders	**$ 79,346**	$ 60,940	$ 44,821
Income from discontinued operations available to common stockholders			197

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