CASH AMERICA INTERNATIONAL INC
Form 10-K
February 28, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012

OR
[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 1-9733

(Exact name of registrant as specified in its charter)

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

None

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 ¨

Indicate by check if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ 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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter time that the registrant was required to submit and post such files).

Yes þ No ¨

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ¨ No þ

The aggregate market value of 29,040,423 shares of the registrant s Common Stock, par value $0.10 per share, held by non-affiliates on June 30, 2012 was approximately $1,278,940,229.

At February 19, 2013 there were 28,811,280 shares of the registrant s Common Stock, $0.10 par value per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive Proxy Statement pertaining to the 2012 Annual Meeting of Shareholders are incorporated herein by reference into Items 5, 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K.

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CASH AMERICA INTERNATIONAL, INC.

YEAR ENDED DECEMBER 31, 2012

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CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You should not place undue reliance on these statements. These forward-looking statements give current expectations or forecasts of future events and reflect the views and assumptions of senior management with respect to the business, financial condition, operations and prospects of Cash America International, Inc. and its subsidiaries (collectively, the Company). When used in this report, terms such as believes, estimates, should, could, would, plans, expects, anticipates, may, forecast, project and simil variations as they relate to the Company or its management are intended to identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties that are beyond the ability of the Company to control and, in some cases, predict. Accordingly, there are or will be important factors that could cause the Company s actual results to differ materially from those indicated in these statements. Key factors that could cause the Company s actual financial results, performance or condition to differ from the expectations expressed or implied in such forward-looking statements include, but are not limited to, the following:

- changes in domestic and foreign pawn, consumer credit, tax and other laws and government rules and regulations applicable to the Company s business, or changes in the interpretation or enforcement thereof, and the anticipated regulation of consumer financial products and services by the Consumer Financial Protection Bureau;
- public perception of the Company s business, including its consumer loan business and its business practices;
- the deterioration of the political, regulatory or economic environment in foreign countries where the Company operates or in the future may operate;
- fluctuations in the price of gold or a deterioration in economic conditions;
- the effect of any current or future litigation proceedings and any judicial decisions or rule-making that affect the Company, its products or the legality or enforceability of its arbitration agreements;
- the actions of third parties who provide, acquire or offer products and services to, from or for the Company;
- the ability of the Company to maintain an allowance or liability for estimated losses on consumer loans that are adequate to absorb credit losses;
- changes in demand for the Company s services, changes in competition and the continued acceptance of the online channel by the Company s online consumer loan customers;
- the ability of the Company to attract and retain qualified executive officers;
- a prolonged interruption in the Company s operations of its facilities, systems and business functions, including its information technology and other business systems;
- the ability of the Company to open new locations in accordance with plans or to successfully integrate newly acquired businesses into the Company s operations;
- interest rate and foreign currency exchange rate fluctuations;
- changes in the capital markets, including the debt and equity markets;
- changes in the Company s ability to satisfy its debt obligations or to refinance existing debt obligations or obtain new capital to finance growth;
- cyber attacks or security breaches;
- acts of God, war or terrorism, pandemics and other events;
- the effect of any of the above changes on the Company s business or the markets in which the Company operates; and
- other risks and uncertainties described in this report or from time to time in the Company s filings with the Securities and Exchange Commission (the SEC).

The foregoing list of factors is not exhaustive and new factors may emerge or changes to these factors may occur that would impact the Company s business. Additional information regarding these and other factors may be contained in the Company s filings with the SEC, especially on Forms 10-K, 10-Q and 8-K. If one or more events related to these or other risks or uncertainties materialize, or if management s underlying assumptions prove to be incorrect, actual results may differ materially from what the Company anticipates. The Company disclaims any intention or obligation to update or revise any forward-looking statements to reflect events or circumstances occurring after the date of this report. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements.

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PART I

ITEM 1. BUSINESS

Overview

General

Cash America International, Inc. and its subsidiaries (collectively, the Company) provides specialty financial services to individuals through retail services locations and e-commerce activities. The Company was incorporated in Texas in 1984 and has been providing specialty financial services to its customers for approximately 28 years. The Company believes it was the nation s largest provider of pawn loans and the largest operator of pawn shops in the world in 2012.

The Company offers secured non-recourse loans, commonly referred to as pawn loans. Pawn loans are short-term loans (generally 30 to 90 days) made on the pledge of tangible personal property. Pawn loan fees and service charges revenue is generated from the Company s pawn loan portfolio. A related activity of the pawn lending operations is the disposition of collateral from unredeemed pawn loans and the liquidation of a smaller volume of merchandise purchased directly from customers or from third parties.

The Company originates, guarantees or purchases consumer loans (collectively referred to as consumer loans throughout this discussion). Consumer loans provide customers with cash, typically in exchange for an obligation to repay the amount advanced plus fees and any applicable interest. Consumer loans include short-term loans (commonly referred to as payday loans), line of credit accounts and installment loans.

Short-term loans include unsecured short-term loans written by the Company or by a third-party lender through the Company s credit services organization programs (CSO programs as further described below) that the Company guarantees. Line of credit accounts include draws made through the Company s line of credit product, and, from 2008 through October 2010, included micro line of credit (MLOC) receivables, which are participation interests in receivables acquired from a third-party lender in connection with MLOC services the Company offered. Installment loans are longer-term multi-payment loans that generally require the pay-down of portions of the outstanding principal balance in multiple installments and include unsecured loans and auto equity loans, which are secured by a customer s vehicle, that are written by the Company or by a third-party lender through the Company s CSO programs that the Company guarantees. The Company offers consumer loans over the Internet under the names CashNetUSA and NetCredit in the United States, under the names QuickQuid and Pounds to Pocket in the United Kingdom ar under the name DollarsDirect in Australia and Canada. The Company also offers a line of credit product, which is similar to the MLOC product for which the Company previously provided services, under the name Debit Plus in Mexico.

Through the Company s CSO programs the Company provides services related to a third-party lender s consumer loan products in some markets by acting as a credit services organization or credit access business on behalf of consumers in accordance with applicable state laws. Services offered under the CSO programs include credit-related services such as arranging loans with independent third-party lenders and assisting in the preparation of loan applications and loan documents (CSO loans). Under the CSO programs, the Company guarantees consumer loan payment obligations to the third-party lender in the event that the customer defaults on the loan. CSO loans are not included in the Company s financial statements, but the Company has established a liability for the estimated losses in support of the guarantee on these loans in its consolidated balance sheets.

In addition, the Company provides check cashing and other ancillary services through many of its retail services locations and through its franchised check cashing centers. The ancillary services provided mainly include money orders, wire transfers, prepaid debit cards, tax filing services and auto insurance. Most of these ancillary services are provided through third-party vendors.

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The Company has two reportable operating segments: retail services and e-commerce. The retail services segment includes all of the operations of the Company s Retail Services Division, which is composed of both domestic and foreign storefront locations that offer some or all of the following services: pawn loans, consumer loans, the purchase and sale of merchandise, check cashing and other ancillary services such as money orders, wire transfers, prepaid debit cards, tax filing services and auto insurance. Most of these ancillary services offered in the retail services segment are provided through third-party vendors. See Recent Developments Business Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest section below for information related to the reorganization of the Company s Mexico-based pawn operations during 2012, which are included in the retail services segment. The e-commerce segment includes the operations of the Company s E-Commerce Division, which is composed of the Company s domestic and foreign online lending channels through which the Company offers consumer loans.

Retail Services Segment

The following table sets forth the number of domestic and foreign Company-owned and franchised locations in the Company s retail services segment offering pawn lending, consumer lending, and other services as of December 31, 2012, 2011 and 2010. The Company s domestic retail services locations operate under the names Cash America Pawn, SuperPawn, Cash America Payday Advance, Cashland and Mr. Payroll. In addition, certain recently acquired domestic retail services locations operate under various names that are expected to be changed to Cash America Pawn or SuperPawn during 2013. In January 2013, the Company s foreign retail services locations began operating exclusively under the name Cash America casa de empeño (and previously operated under the name Prenda Fácil).

	As of December 31,								
	2012			2011			2010		
	Domestic[a]	**Foreign**	**Total**	Domestic[a][b]	Foreign	Total	Domestic[a][b]	Foreign	Total
Retail services locations offering:									
Both pawn and consumer lending	**581**	**-**	**581**	572	-	572	567	-	567
Pawn lending only	**167**	**47**	**214**	126	190	316	124	180	304
Consumer lending only	**83**	**-**	**83**	86	-	86	88	-	88
Other [c]	**91**	**-**	**91**	110	-	110	122	-	122
Total retail services	**922**	**47**	**969**	894	190	1,084	901	180	1,081

(a) Except as described in (c) below, includes locations that operate in 22 states in the United States as of December 31, 2012, and 23 states as of both December 31, 2011 and 2010. In 2011, includes five retail services locations that the Company operated under management agreements with a former franchisee.

(b) Includes unconsolidated franchised locations as follows: one location operating under the name Cash America Pawn as of December 31, 2011, and nine locations operating under the names Cash America Pawn and SuperPawn as of December 31, 2010.

(c) As of December 31, 2012, 2011 and 2010, includes zero, six and six consolidated Company-owned check cashing locations and 91, 104 and 116 unconsolidated franchised check cashing locations, respectively. As of December 31, 2012, 2011 and 2010, includes locations that operate in 15, 18 and 17 states in the United States, respectively.

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E-Commerce Segment

As of December 31, 2012, 2011 and 2010, the Company s e-commerce segment operated in 32 states in the United States and in three other foreign countries:

in the United States at http://www.cashnetusa.com and http://www.netcredit.com,
in the United Kingdom at http://www.quickquid.co.uk and http://www.poundstopocket.co.uk,
in Australia at http://www.dollarsdirect.com.au, and
in Canada at http://www.dollarsdirect.ca.

As of December 31, 2012, the Company also offered a line of credit product in Mexico, which is similar to the MLOC product for which the Company previously provided services, under the trade name Debit Plus.

The Company s internet websites and the information contained therein or connected thereto are not intended to be incorporated by reference into this Annual Report on Form 10-K.

Recent Developments

Business Developments

Newly Appointed Chief Executive Officer of E-Commerce Division

On January 29, 2013, David A. Fisher was appointed Chief Executive Officer of Enova International, Inc. (Enova), a wholly-owned subsidiary of the Company that comprises its e-commerce segment (which includes the operations of the E-Commerce Division). Mr. Fisher will succeed Timothy S. Ho as the senior executive officer of Enova, who will step down as the President of Enova on March 29, 2013.

Voluntary Reimbursements to Ohio Customers

On December 4, 2012, the Company announced a voluntary program to fully reimburse approximately 14,000 Ohio customers for all funds collected, plus interest accrued from the date collected, in connection with legal collections proceedings initiated by the Company in Ohio from January 1, 2008 through December 4, 2012. In 2012, the Company determined that a small number of employees did not prepare certain court documents in many of its Ohio legal collections proceedings in accordance with court rules. In connection with the reimbursement program, for all trial court collections proceedings filed by the Company in Ohio from January 1, 2008 through December 4, 2012, with the exception of one appellate matter, the Company is in the process of filing dismissals, terminating all existing post-judgment collections activities, and requesting to vacate each judgment entered and/or notifying credit reporting bureaus of the vacated judgments, as necessary, for each case.

The Company estimates the cost of the reimbursement program and related expenses will be approximately $13.4 million before taxes and has recorded this amount in Accounts payable and accrued expenses in the consolidated balance sheets and in Operations and administration expense in the consolidated statements of income for the year ended December 31, 2012.

Acquisition of Nine-Store Chain of Pawn Lending Locations in Arizona

On October 8, 2012, the Company s wholly-owned subsidiary, Cash America, Inc. of Nevada, entered into an agreement to acquire substantially all of the assets of a nine-store chain of pawn lending locations in Arizona owned by Ca$h Corporation, Pawn Corp #1, Inc., Pawncorp #2, Inc. and Pawncorp #4, Inc. The aggregate cash consideration paid in 2012 for this transaction, which was funded with borrowings under the Company s line of credit, was approximately $15.4 million. The closing for the transaction occurred on October 25, 2012.

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Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest

On September 24, 2012, the Company s Board of Directors approved a plan to significantly modify the business plan and strategy of the Company s Mexico-based pawn operations, which comprise the foreign component of its retail services segment. The Company reorganized these operations to include only full-service pawn locations that offer pawn loans based on the pledge of general merchandise and jewelry-based collateral and discontinued the operations of 148 of its Mexico-based pawn locations that primarily offered pawn loans based on the pledge of jewelry-based collateral (the Mexico Reorganization). The Mexico Reorganization was substantially completed as of December 31, 2012. As of December 31, 2012, the Company was operating 47 full-service pawn locations in Mexico. The Mexico Reorganization reflects management s decision to modify its strategy in Mexico to achieve profitability in its Mexico-based pawn operations and to evaluate the potential to expand its services to customers in Latin American markets.

In connection with the Mexico Reorganization, the Company incurred charges for employee termination costs, lease termination costs, asset impairments, loss on sale of assets, the recognition of a deferred tax asset valuation allowance, uncollectible receivables and other charges. The Company recognized $28.9 million of charges related to the Mexico Reorganization during the year ended December 31, 2012. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations General Recent Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest for further discussion of the Mexico Reorganization.

As of December 31, 2012, the Company s Mexico-based pawn operations were owned by Creazione Estilo, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (Creazione). Prior to September 26, 2012, the Company owned 80% of the outstanding stock of Creazione. On September 26, 2012, the Company acquired all outstanding shares of Creazione that were held by minority shareholders (approximately 20% of the outstanding shares), and, as a result, Creazione became a wholly-owned subsidiary of the Company as of that date. The Company paid approximately $5.6 million in cash and released the minority shareholders from certain contingent obligations estimated at approximately $2.8 million. The Company accounted for this transaction as an acquisition of the remaining interest of a majority-owned subsidiary. The purchase resulted in a reduction to additional paid in capital of $7.7 million, representing the excess of the cash amount paid and the released contingent obligations (totaling $8.4 million) less the carrying amount of the noncontrolling interest of $0.7 million. In January 2013, the Company s remaining Mexico-based pawn operations were sold by Creazione to another wholly-owned subsidiary, CA Empeños Mexico, S. de R.L. de C.V., and began operating exclusively under the name Cash America casa de empeño. In connection with the Mexico Reorganization, the Company intends to liquidate the remaining assets of Creazione, which are insignificant, in 2013.

Acquisition of 25-Store Chain of Pawn Lending Locations in Kentucky, North Carolina and Tennessee

On September 27, 2012, the Company and three of its wholly-owned subsidiaries, Cash America, Inc. of Tennessee, Cash America, Inc. of North Carolina and Cash America, Inc. of Kentucky, entered into an agreement to acquire substantially all of the assets of a 25-store chain of pawn lending locations located in Kentucky, North Carolina, and Tennessee owned by Standon, Inc., Casa Credit, Inc., Classic Credit, Inc. and Falcon Credit, Inc. As of that date, the Company assumed the economic benefits of all of these pawnshops by operating them under management agreements that commenced on September 27, 2012, and the final agreement terminated on December 16, 2012. The aggregate cash consideration for the transaction, which was funded with borrowings under the Company s line of credit, was approximately $55.1 million, of which $52.0 million was paid in September 2012. The remaining $3.1 million of consideration was paid during the fourth quarter of 2012.

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Withdrawal of Proposed Initial Public Offering of Enova International, Inc.

On September 15, 2011, Enova filed a registration statement on Form S-1 (Registration Statement) with the Securities and Exchange Commission (the SEC) in connection with a proposed initial public offering (IPO) of its common stock. On July 25, 2012, Enova filed an Application for Withdrawal of Registration Statement with the SEC to withdraw its Registration Statement, together with all exhibits and amendments. The Registration Statement had not been declared effective by the SEC, and no securities have been sold in connection with the offering pursuant to the Registration Statement.

Recent Regulatory and Other Developments

Ohio Court Decision

On May 28, 2009, a subsidiary of the Company, Ohio Neighborhood Finance, Inc., doing business as Cashland (Cashland), filed a standard collections suit in an Elyria Municipal Court in Ohio against Rodney Scott seeking judgment against Mr. Scott in the amount of $570.16, which was the amount due under his loan agreement. Cashland s loan was offered under the Ohio Mortgage Loan Act (OMLA), which allows for interest at a rate of 25% per annum plus certain loan fees allowed by the statute. The Municipal Court held that short-term, single-payment consumer loans made by Cashland are not authorized under the OMLA, and instead should have been offered under the Ohio Short-Term Lender Law, which was passed by the Ohio legislature in 2008 for consumer loans with similar terms. Due to a cap on interest and loan fees at an amount that is less than permitted under OMLA, the Company does not offer loans under the Ohio Short-Term Lender Law.

On December 3, 2012, the Ohio Ninth District Court of Appeals affirmed the Municipal Court s ruling in a 2-1 decision. Although this court decision is only legally binding in the Ninth District of Ohio, which includes four counties in northern Ohio where Cashland operates seven stores, other Ohio courts may consider this decision.

The Company filed an appeal of the Ninth District Court s decision with the Ohio Supreme Court on January 17, 2013 because it believes that this decision is contrary to the language of the OMLA, and the Ohio Supreme Court has not yet determined whether it will hear the appeal. If the Ninth District Court s decision is upheld by the Ohio Supreme Court on appeal, the Company s Ohio operations may be adversely affected. The Company relies on the OMLA to make short-term loans in its retail services locations in Ohio, and if the Company is unable to continue making short-term loans under this law, it will have to alter its short-term loan product in Ohio.

Delaware Legislation

In June 2012, the State of Delaware passed a bill, which took effect on January 1, 2013, to amend its short-term consumer loan law to, among other things, limit the number of loans a borrower may have in any twelve-month period and establish a statewide database to track these loans. The bill only affects the Company s short-term loan product in Delaware (and does not affect its installment loan product in that state). The impact of this bill will not have a material effect on the Company, including its consolidated revenue or operations.

Australia National Consumer Credit Protection Act Amendment

In Australia the Company acts as a finance broker, offering the lending products of unaffiliated third-party lenders, which is similar to the Company s CSO programs in the United States. In Australia, the Company follows the responsible lending guidelines under the National Consumer Credit Protection Act (2010) (the NCCPA), which has been recently amended. Part of the amendment will become effective on March 1, 2013, and the remainder will become effective on July 1, 2013. The amendment includes limitations on permissible fees charged on certain consumer loans, including consumer loans arranged by the Company. The Company is still assessing the impact of this amendment on the product offered in Australia, but the

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Company expects that the product will be modified as a result of this amendment, which could make the product less profitable or could eliminate the Company s ability to offer lending products in Australia. The Company may even need to exit Australia if the product cannot be modified in a way that retains its profitability in that country. If the Company has to exit Australia, it will not have a material effect on the Company, including its consolidated revenues or operations.

UK Office of Fair Trading

The Company offers consumer loans over the internet in the United Kingdom where the Company must follow the Irresponsible Lending Guidance of the Office of Fair Trading (the OFT) and the Consumer Credit Act of 1974 that was amended by the Consumer Credit Act of 2006 (collectively, the CCA), among other rules and regulations. In December 2012, the U.K. Parliament passed the Financial Services Act of 2012 (the Act), certain provisions of which take effect on April 1, 2013 and April 1, 2014. The Act makes changes to the CCA and the Financial Services and Markets Act of 2000 (the FSMA) and gives the OFT the power to suspend consumer credit licenses with immediate effect or from a date specified. The Act also creates the Financial Conduct Authority (the FCA), which will take over responsibility for regulating consumer credit from the OFT in April 2014. The FCA may regulate consumer credit pursuant to the guidance of the FSMA, which includes prescriptive regulations that currently govern the secured credit market and could possibly call for the repeal of the CCA or for enabling legislation in the United Kingdom. Prescriptive regulations, as contrasted with principles-based regulations that currently regulate the lending process in the United Kingdom, define what a lender may and may not do with a specific product, similar to U.S. law. However, the U.K. coalition government has reserved the option to retain the principles-based CCA provisions should it conclude that a regulatory model for unsecured consumer credit under the FSMA and FCA cannot be delivered in an effective regulatory manner. During the period of transition of regulatory responsibility over consumer credit from the OFT to the FCA, the OFT will continue to fully and rigorously regulate consumer credit, including the short-term consumer loan market. If prescriptive regulations are adopted, the Company s compliance costs will be significantly increased.

In addition, in October 2011, the OFT issued debt collection guidance that was revised in November 2012. This debt collection guidance allows consumer lenders such as the Company to debit a customer s account, which includes debits to both bank accounts and debit cards, in a reasonable and non-excessive manner. The Company has not experienced a material adverse impact on its business as a result of this guidance.

In February 2012, the OFT also announced that it had launched a review of the payday lending sector in the United Kingdom to assess the sector s compliance with the CCA, the OFT s Irresponsible Lending Guidelines and other relevant guidance and legal obligations. The OFT has announced that these inspections could be used to assess a licensee s fitness to hold a consumer credit license and could result in formal enforcement action where appropriate. The OFT is expected to announce its findings during the first quarter of 2013. It is unknown if the OFT s findings will result in significant changes to the Company s operations, business, and prospects.

Consumer Financial Protection Bureau

In July 2010, the U.S. Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), and Title X of the Dodd-Frank Act created the Consumer Financial Protection Bureau (the CFPB), which regulates consumer financial products and services, including certain short-term loans offered by the Company. On January 4, 2012, President Obama appointed a Director of the CFPB in a recess appointment bypassing Senate confirmation. Although there remain doubts about the legality of this appointment and the appointment is subject to legal challenge, the CFPB has begun exercising supervisory review over certain non-bank providers of consumer financial products and services, including providers of consumer loans such as the Company. The Dodd-Frank Act gave the CFPB, among other things, authority to examine and require registration of providers of consumer financial products and services, including providers of consumer loans such as the Company; the authority to adopt rules describing specified acts and practices as being unfair, deceptive or abusive, and hence unlawful; and the authority to impose record-keeping obligations. The Company does not currently know the nature and extent of the rules that the CFPB will consider with respect to consumer loan products and services such as those offered by the Company or the timeframe in which the CFPB may consider such rules. Although the CFPB does not have the authority to regulate interest rates, it is possible that at some time in the future the CFPB could propose and adopt rules that require certain changes to short-term consumer lending products and services, including certain short-term loans offered by or through the Company, which could make these products and services materially less profitable or even impractical to offer and could force the Company to modify or terminate certain of its product offerings. The CFPB could also adopt rules imposing new and potentially burdensome requirements and limitations with respect to other consumer loan products and services. Any such rules could have a material adverse effect on the Company s business, results of operations and financial condition or could make the continuance of all or part of its U.S. consumer loan business impractical or unprofitable.

In furtherance of its regulatory and supervisory powers, the CFPB has the authority to impose monetary penalties for violations of applicable federal consumer financial laws, require remediation of practices and pursue enforcement actions. For further discussion of the CFPB see Item 1A. Risk Factors Risks Related to the Company s Business and Industry *The Consumer Financial Protection Bureau could have a significant impact on the Company s U.S. consumer loan business.*

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Services Offered by the Company

Pawn Lending

The Company s retail services segment offers pawn loans through its retail services locations in the United States and Mexico. The Company began offering pawn loans in the United States in 1984 and in Mexico in 2008. See Recent Developments above and Item 8. Financial Statements and Supplementary Data Note 3 for additional information regarding the acquisition of retail services locations, including recent acquisitions and the acquisition of the Company s Mexico-based pawn lending locations. See also Recent Developments Business Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest above for recent developments related to the Company s Mexico-based pawn operations.

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 and redeem the property, the Company either becomes the owner of the property or becomes the party responsible for the disposition of the collateral in satisfaction of the loan and unpaid fees.

The Company relies solely on the disposition of pawned property to recover the principal amount of an unpaid pawn loan, plus a yield on the investment, because the Company s pawn loans are non-recourse against the customer. As a result, the customer s creditworthiness is not a significant factor in the loan decision, and a decision to redeem pawned property does not affect the customer s personal credit status with other third-party creditors. Goods pledged to secure pawn loans are tangible personal property items such as jewelry, tools, televisions and other electronics, musical instruments and other miscellaneous items.

The Company contracts for pawn loan fees and service charges as compensation for the use of the funds loaned and to cover direct operating expenses related to the transaction. The pawn loan fees and service charges are typically calculated as a percentage of the pawn loan amount based on the size and duration of the transaction and generally range from 12% to 300% annually, as permitted by applicable laws. In addition, as required by applicable laws, the amounts of these charges are disclosed to the customer on the pawn ticket. These pawn loan fees and service charges contributed approximately 16.7% of the Company s total revenue in 2012, 17.8% in 2011 and 18.2% in 2010.

In the Company s pawn lending operations, the maximum pawn loan amount is generally assessed 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. 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, 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, unless earlier repaid, renewed or extended. The Company holds forfeited collateral until it is sold, as described in Merchandise Disposition Activities below. The typical loan term is 30 to 90 days and, in many cases, an additional grace period (typically 10 to 60 days) may be available to the borrower. The Company s pawn loans may be either paid in full with accrued pawn loan fees and service charges or, where permitted by law, may be renewed or extended by the customer s payment of accrued pawn loan fees and service charges. Accrued interest on loans that have passed the maturity date and the expiration of the grace period is not recognized as revenue until the underlying collateral has been sold. 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 Company typically experiences seasonal growth during the second, third and fourth quarter of each year due to loan balance growth that occurs after the heavy repayment period of pawn loans with tax refund proceeds received by customers in the first quarter each year.

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Merchandise Disposition Activities

A related activity of the Company s pawn lending operations is the disposition of collateral from unredeemed pawn loans and the liquidation of a smaller volume of merchandise purchased directly from customers or from third parties. The Company s retail services segment engages in merchandise disposition activities through its retail services locations in the United States and Mexico.

If a customer does not repay, renew or extend a pawn loan at the time a loan is due, the Company becomes the owner of the unredeemed collateral. With respect to the Company s foreign pawn operations, collateral underlying unredeemed pawn loans is not owned by the Company; however, the Company assumes the risk of loss on such collateral and is solely responsible for its care and disposition.

Once the Company owns the unredeemed collateral or becomes the party responsible for its care and disposition in satisfaction of the loan, the merchandise becomes available for disposition through either retail or commercial sales. Retail sales include the sale of jewelry and general merchandise direct to consumers through the Company s domestic and foreign retail services locations or over the Internet through auction and other similar sites. Commercial sales include the sale of refined gold, platinum, silver and diamonds to brokers or manufacturers.

Upon the sale of merchandise, the Company realizes gross profit, which is the difference between the Company s cost basis in the loan or the amount paid for purchased merchandise, both of which are recorded as cost of sales, and the amount of proceeds from the sale. The cost of disposed merchandise is computed on the specific identification basis. If the proceeds from the disposition of the collateral are less than the outstanding loan balance, a loss is recorded for the difference at the time the collateral is sold. In the case of its foreign operations, if within six months of the sale of the merchandise, the customer makes a claim to receive the excess proceeds, the Company refunds that amount to the customer and reduces revenue by the same amount.

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. The Company s retail services locations also sell used goods purchased from the general public and some new merchandise purchased from third parties, principally accessory merchandise that complements and enhances the marketability of items such as tools, consumer electronics and jewelry. Merchandise sales are typically highest during the first quarter tax refund and fourth quarter holiday seasons. Gross proceeds from merchandise disposition activities contributed approximately 39.1% of the Company s total revenue in 2012, 43.5% in 2011 and 44.0% in 2010.

The Company offers customers a 30-day satisfaction guarantee, whereby the customer can return merchandise and receive a full refund, a replacement item of comparable value or store credit. The Company provides an allowance for returns and valuation based on management s evaluation of the characteristics of the merchandise. Customers may purchase merchandise on a layaway plan under which the customer agrees to pay the purchase price for the item plus a layaway fee, 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 returned to merchandise held for disposition. The layaway fee is recognized as revenue, and any amounts previously paid toward the item are returned to the customer as store credit.

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Consumer Loan Activities

In addition to pawn loans, the Company s retail services segment also offers consumer loans in many of its retail services locations in the United States, including short-term loans, unsecured installment loans and secured auto equity loans. The Company s e-commerce segment offers consumer loans over the Internet. The Company began offering short-term loans over the Internet in the United States under the name CashNetUSA when that company was acquired in 2006. Since then, the Company expanded its online product offerings into the United Kingdom, Australia and Canada. The Company s e-commerce segment began offering longer-term unsecured installment loans over the internet to customers in the United States and United Kingdom in 2008 and 2010, respectively, and a secured auto equity product in the United States in 2012. The Company also began offering line of credit products over the internet in the United States in 2010. Additionally, the Company began offering a line of credit product in Mexico, which is similar to the MLOC product for which the Company previously provided services, in 2012.

The Company also provided MLOC services in the United States from 2008 through 2010, whereby advances were processed on behalf of, and participation interests in MLOC receivables were purchased from, a third-party lender. The Company s MLOC services generated earnings through loan processing services as well as from fees generated from the participation interests it acquired in MLOC advances made to the third-party lender s customers. The Company stopped providing MLOC services on behalf of the third-party lender in October 2010 when the third-party lender discontinued offering MLOC advances.

Consumer loans offered by the Company are unsecured loans, with the exception of auto equity loans, which are secured by the customer s vehicle. Consumer loan fees include revenue from the loan portfolio owned by the Company and fees paid to the Company for arranging, guaranteeing and processing loans from independent third-party lenders for customers through the CSO programs. Due to the credit risk and high transaction costs of serving the Company s customer segment, the fees the Company charges are generally considered to be higher than the fees charged to customers with top-tier credit histories by commercial banks and similar lenders who are typically unwilling to make unsecured loans to alternative credit customers. Consumer loan fees earned by the Company contributed approximately 43.4% of the Company s total revenue in 2012, 37.8% in 2011 and 36.7% in 2010.

The Company offers short-term loans in the United States, the United Kingdom, Australia and Canada. Short-term loans generally have a loan term of seven to 45 days and are usually payable on the customer s next payday, unless the loan is renewed or extended in accordance with applicable laws. The fees the Company charges on short-term loans in the United States vary by jurisdiction but typically range between $10 to $25 per $100 borrowed, and the fees the Company charges on short-term loans in the foreign markets in which the Company operates also vary but typically range between 20 and 29.50 per 100 borrowed in their respective currencies.

The Company offers line of credit accounts in several U.S. states, which allow customers to draw on the line of credit in increments of their choosing, up to their credit limit. Customers may pay off their account balance in full at any time or make required minimum payments in accordance with the terms of the line of credit agreement. As long as the customer s account is in good standing, customers may continue to borrow on their line of credit. The Company also offers a line of credit product in Mexico, which is similar to the MLOC product for which the Company previously provided services. In connection with this line of credit product, a customer is approved for a certain credit limit and may draw on their line of credit in increments of their choosing up to their credit limit. The full amount of the draw is due on the due date.

The Company s multi-payment installment loan products include unsecured installment loans and secured auto equity loans. Unsecured installment loans, which are offered in some states in the United States and in the United Kingdom, typically have terms between four and 12 months, but may have available terms up to 36 months. Secured auto equity loans, which are offered in some states in the United States, generally have contract terms between 12 and 42 months. Both unsecured and secured installment loans require the repayment of principal in installments over the term of the loan.

The Company monitors the performance of its portfolio of consumer loans and maintains either an allowance or liability for estimated losses on consumer loans (including fees and interest) at a level estimated to be adequate to absorb credit losses inherent in the portfolio. The allowance for losses on the Company s owned consumer loans reduces the

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outstanding loan balance in the consolidated balance sheets. In addition, the Company maintains a liability for estimated losses related to loans guaranteed under the CSO programs, which approximates the fair value of the liability, and is included in the consolidated balance sheets.

In 2012, revenue from the foreign component of the e-commerce segment was 49.5% of total revenue for the e-commerce segment, and 18.2% of total consolidated revenue. The total revenue in the foreign component of the e-commerce segment was primarily derived from operations in the United Kingdom. The percentage of total revenue from foreign operations to total revenue from the e-commerce segment and total consolidated revenue has increased over the last three years as the Company s e-commerce segment s operations in the United Kingdom have grown significantly.

The Company generally experiences seasonal growth in consumer loan fees in conjunction with the growth in loan balances that typically occurs after the heavy repayment period of consumer loans with tax refund proceeds received by customers in the United States in the first quarter each year. Due to the nature of the short-term loan product and the high velocity of loans written and renewed, seasonal trends are evidenced in quarter-to-quarter performance. In the typical business cycle, the combined consumer loan loss provision as a percent of combined consumer loans written and renewed is usually lowest in the first quarter and increases throughout the year, with the final two quarters generally combining for the peak levels of loss provision expense. See Item 7. Management s Discussion and Analysis Combined Consumer Loans Consumer Loan Loss Experience for additional information about the seasonality of consumer loan losses and for information about combined consumer loans.

Collection activities are an important aspect of the consumer loan product offering due to the high incidence of unpaid balances beyond stated terms. The Company operates centralized collection centers to maximize loan repayment, facilitate regulatory compliance and coordinate a consistent approach to customer service and collections.

Check Cashing and Other Financial Services

The Company provides check cashing and other ancillary services through its retail services locations. Other financial services include money orders, wire transfers, prepaid debit cards, tax filing services and auto insurance. Most of these ancillary services offered in the retail services segment are provided through third-party vendors. When the Company provides a check cashing service to its customers, it charges check cashing fees based on the type and face amount of the check being cashed. The Company receives check cashing fees from many of its retail services locations. In addition, the Company franchises its stand-alone check cashing business, Mr. Payroll, and each franchisee pays royalties based on the gross revenues of check cashing services provided within the franchisee s facility.

Financial Information on Segments and Areas

Additional financial information regarding the Company s operating segments and each of the geographic areas in which the Company does business is provided in Item 8. Financial Statements and Supplementary Data Note 21.

Operations

The executive officers of the Company, with the advice and oversight of the Company s Board of Directors, are responsible for establishing and maintaining the strategic direction of the Company, as well as assessing the Company s activities related to corporate goals and objectives. The Company s executive officers include the Chief Executive Officer, the Chief Financial Officer, the General Counsel, the President of the Retail Services Division and the Chief Executive Officer of the E-Commerce Division (or Enova). The President of the E-Commerce Division is also an executive officer, but he has announced that he will step down from this position on March 29, 2013. The Company does not currently expect to replace its E-Commerce Division President. See Recent Developments Business Developments Newly Appointed Chief Executive Officer of the E-Commerce Division for additional information about the recent appointment of the Chief Executive Officer of the E-Commerce Division.

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The Company s domestic and foreign retail services locations have store managers who are responsible for supervising each retail services location s personnel and assuring that each retail services location is managed in accordance with Company guidelines, policies and procedures. A Market Manager or Area Coordinator, who reports to a Regional Operations Director, manages each store manager. Each domestic Regional Operations Director is responsible for a portion of each domestic region and reports to a Region Vice President. Four Region Vice Presidents coordinate operations and strategy in the Company s domestic retail services locations and report to the Senior Vice President of Operations of the Retail Services Division, who reports to the President of the Retail Services Division. The foreign Regional Operations Director reports to the Senior Vice President of International Operations who reports to the President of the Retail Services Division and are responsible for the foreign retail services operations.

The operations and strategy of the Company s E-Commerce Division, which offers consumer loan products, is coordinated by the officers of the Company s online lending business, Enova, including Vice Presidents, Senior Vice Presidents, and until March 29, 2013, a President, who report to the Chief Executive Officer of the E-Commerce Division.

Tradenames and Trademarks

The Company operates under the trade names Cash America Pawn, Cash America Payday Advance, Cashland, Mr. Payroll, SuperPawn, C America casa de empeño, CashNetUSA, NetCredit, QuickQuid, DollarsDirect, Pounds to Pocket and Debit Plus. The Company has a nu trademarks that are registered under applicable trademark laws including, but not limited to, Cash America, Cashland, SuperPawn, CashNetUSA, Mr. Payroll, QuickQuid, DollarsDirect, Pounds to Pocket, NetCredit, Enova Financial and Enova s e logo. These tra varying expiration dates. The Company believes these trademarks are of material importance to the Company and each of its segments and anticipates maintaining and renewing them. In addition, the Company has various other trademark applications pending in the United States and other countries in which it operates.

Franchises

Each of the Company s unconsolidated franchised check cashing locations is subject to franchise agreements that have varying durations that are negotiated individually with each franchisee. As of December 31, 2012, the Company had 91 unconsolidated franchised check cashing locations, and the revenue from these franchised locations was immaterial to the Company on a consolidated basis.

Personnel

As of December 31, 2012, the Company employed 7,035 persons in its operations, of whom 717 were in executive and administrative functions. Of the employee count above, the Company employed 6,042 persons in the retail services segment and 993 persons in the e-commerce segment.

Future Expansion

Storefront Expansion

The Company historically has expanded by acquiring existing retail services locations and by establishing new start-up locations. The Company intends to continue expanding its retail services 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 leverage marketing programs.

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Over the last three years, the Company has expanded its domestic pawn lending presence in the United States. While the Company s strategy is to expand its domestic and foreign pawn lending operations, the Company periodically assesses whether the closure of certain locations would improve the overall profitability in its retail services segment. During 2011 and 2010, the Company closed certain under-performing locations in the United States and in Mexico to improve profitability of its domestic and foreign retail services segment operations. In connection with the Mexico Reorganization, which was approved during the third quarter of 2012, the Company closed 148 of its foreign retail services locations. See Recent Developments Business Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest for further discussion of the Mexico Reorganization. The table below outlines acquisitions, start-ups and closures for domestic and foreign Company-owned retail services locations, excluding Company-owned check cashing locations, for the years ended December 31, 2012, 2011 and 2010.

	As of December 31,		
	2012	2011	2010
Retail services locations at beginning of period	**973**	950	913
Acquired	**37**	8	44
Start-ups	**22**	20	40
Combined, or closed	**(154)**	(5)	(47)
Retail services locations at end of period	**878**	973	950

When considering acquiring an existing lending location, the Company evaluates, among other things, 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 start-up of a new retail services location, the Company evaluates the location of the prospective site, whether conditions in the surrounding community indicate a sufficient level of potential customers, and whether a suitable facility is available on acceptable terms.

After the Company has leased or acquired a suitable location and obtained the required licenses in the United States, a new retail services location can be ready for business within four to eight weeks. The approximate start-up costs, which consist of the investment in property (excluding real estate) and equipment, for recently established retail services locations in the United States typically range from $500,000 to $650,000. The typical costs associated with start-up retail services locations in Mexico are estimated to be between $100,000 and $150,000 per shop, based on exchange rates as of December 31, 2012. The costs in Mexico are less than domestic costs primarily due to the lower cost of labor and materials. These start-up amounts do not include merchandise transferred from other locations, funds to advance on pawn loans and consumer loans or operating expenses.

Organic Growth and Development of New Credit Alternatives

The Company has the ability to leverage its existing retail services platform for pawn loan, consumer loan and check cashing activities to expand its operating margins and add incremental earnings through the addition of new customers. Domestically and internationally, the consumer credit market is evolving, which the Company believes will create new opportunities for the Company to reach customers who have not previously considered using its products and services. The Company plans to utilize marketing and promotional campaigns to pursue new customers and to gain market share by expanding the number of customers being served through its retail services and e-commerce operations.

The Company is actively exploring strategies to increase and enhance its Internet presence. The Company now offers an array of consumer credit products over the Internet under the names CashNetUSA, NetCredit, QuickQuid, Pounds to Pocket and DollarsDirect. Over the past f years, the Company has begun offering new credit alternatives, such as line of credit products and installment loan products, including unsecured installment loans and auto equity loans. The Company intends to continue pursuing the development of new products in the current markets that it serves that complement its Internet specialty financial services in order to meet the growing financial services needs of consumers, both in the United States and internationally. The Company continues to evaluate new markets in which to establish its Internet presence. Other countries are being evaluated for expansion of the Company s consumer loan products and any additional expansion will be pursued when the country-specific characteristics and requirements meet the Company s investment criteria.

The Company developed and utilizes proprietary and custom-designed technology platforms that are built for scalability and flexibility. The technology platforms are designed to be powerful enough to handle the large volumes of data required to evaluate customer applications and flexible enough to capitalize on changing customer preferences, market trends and regulatory changes. Further, the information gathered from these technology platforms allows the Company to focus on both existing and potential customers who it believes are more likely to provide the Company with better credit performance. Through this approach, the Company is able to build a valuable list of consumers who both use the credit products offered and to whom the Company can market its product offerings to help fulfill the customer s credit needs. The Company also developed a proprietary point-of-sale system that it began rolling out to its retail services locations in the second half of 2011. The Company will continue to pursue new customer acquisition through channels such as lead generation (sourcing potential customers via third-party lead providers, which use digital, email or other marketing efforts to acquire and provide the Company with loan applicants), traditional advertising and digital advertising.

In some instances in the past, legislative and regulatory activity affecting the Company s consumer loan products has led the Company to also explore new credit product alternatives to help its customers meet their short-term credit needs. While some legislative and regulatory actions in certain states where the Company operates has reduced the revenue per loan to levels that make the product less profitable or unattractive, these regulatory changes do not eliminate the credit needs of the Company s customers. The Company remains committed to finding new and innovative solutions to help its customers avoid higher cost alternatives, such as overdraft protection, returned check fees and late charges on bills, in the absence of alternatives such as the Company s consumer loan products.

Expansion Considerations for Retail Services Locations

The Company s retail services expansion program is subject to numerous unpredictable factors, such as the availability of attractive acquisition candidates or sites on suitable terms, market and regulatory conditions in the pawn or consumer loan business, general economic conditions and other factors. 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 a new location. In addition, the current statutory and regulatory environment of some states renders expansion into those states impractical.

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, excessive finish-out costs and other factors.

Competition. Several competing pawnshop and consumer loan companies are also pursuing expansion and acquisition programs. A number of smaller companies and private equity firms have also entered the market. While the Company believes that it is the largest pawnshop operator and one of the largest consumer loan operators in the United States, 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 adversely affect the performance of potential acquisition targets.

Availability of Qualified Store Management Personnel. The Company s ability to expand may also be limited by the availability of qualified store 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.

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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

Pawn Lending Activities

The Company has many competitors to its pawn lending activities, such as retailers of new merchandise and retailers of pre-owned merchandise, thrift shops, Internet retailers, Internet auction and other similar sites and other pawn shops. The pawnshop industry in the United States remains very fragmented, with approximately10,000 stores nationwide operating in 2012 that were owned primarily by independent operators and, to a lesser extent, by publicly-traded companies. The Company believes that it is the largest operator of pawnshops in the world. The three largest publicly-traded pawnshop companies, First Cash Financial Services, Inc., EZCORP, Inc., and the Company, operated approximately 1,400 total pawnshops in the United States in 2012. During 2012, the Company was the largest publicly-traded pawnshop operator in the United States based on pawn loan balances and number of pawn lending locations. Management believes 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. Management believes that the principal competitive factors in the pawnshop industry are location, quality customer service, the ability to loan competitive amounts at competitive rates and adequate low-cost working capital.

The pawnshop industry in Mexico is fragmented and remains substantially less developed than it is in the United States. There has been significant growth in the number of pawnshops servicing Mexico over the last several years to an estimated 5,000 locations operating in 2012. Most of these locations provide loans secured only by gold jewelry and are owned by independent operators and small chains, including some owned by not-for-profit organizations and publicly-traded companies. The Company s primary competitors in Mexico include Monte de Piedad, Luz Saviñón, Rafael Donde, First Cash Financial Services, Inc. and EZCORP, Inc. A large percentage of the population in Mexico is unbanked (or do not have a relationship with a bank) or underbanked (or have limited access to banking or other financial services) and has limited access to consumer credit. The Company believes there is a future opportunity for growth in the number of full-service pawn locations that offer loans secured by general merchandise as well as gold jewelry in Mexico due to the large number of potential customers underserved through traditional credit providers and the limited number of large pawnshop operators in the country.

Consumer Loan Activities

The Company offers consumer loans through many of its retail services locations and over the Internet. According to the Community Financial Services Association, industry analysts estimate that there were approximately 21,000 consumer loan storefront locations across the United States during 2012. While the consumer loan industry grew significantly during the 1990 s into the early 2000 s with the addition of new storefront locations, the storefront growth has begun to contract in the past several years. This is due in part to changes in laws and regulations governing consumer loans in various states. As a result, management believes that opportunities in the United States for growth are limited at the storefront level and has elected to concentrate its efforts on the online lending channel for growth in its consumer loan business both in the United States and in foreign countries.

Numerous competitors offer consumer loan products and services, and many significant competitors are privately held, making it difficult for the Company to determine its competitive position in the market. However, the Company believes its principal online competitors in the United States include Miami Nation Enterprises, Integrity Advance, Think Finance and certain offshore lenders, many of whom offer consumer loans under multiple brand names

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and domains. Storefront consumer loan lenders that offer loans online or in storefronts are also a source of competition in most of the markets where the Company offers consumer loans online or in storefronts, including Advance America, Ace Cash Express, Check n Go, Dollar Financial and Check Into Cash. In the United Kingdom, the Company believes that its principal online competitors include PaydayUK, Wonga and Lending Stream. In Australia, the Company believes its main online competitors are Cash Doctors, PaydayMate and First Stop Money. In Canada, the industry has been dominated by storefront lenders, and as a result, the Company s principal competitors are not online lenders but storefront lenders, such as Money Mart and The Cash Store.

Management believes that competition for the online lending channel continues to be fragmented and is primarily from competitors who may be operating either off-shore or by partnering with Native American tribes and utilizing their status as a sovereign nation and do not operate under the same complex regulatory environment as the Company. Management believes that the principal competitive factors in the consumer loan industry consist of the ability to provide sufficient loan size to consumers to meet their loan requests, speed of funding, customer privacy, ease of access, transparency of fees and interest, and customer service.

Impediments exist that prevent new entrants from easily entering the online lending market. New entrants must successfully implement underwriting and fraud prevention processes, incur high marketing and customer acquisition costs, overcome consumer brand loyalty and have sufficient capital to withstand early losses associated with unseasoned loan portfolios. In addition, there are substantial regulatory and compliance costs, including the need for expertise to customize products associated with licenses to lend in various states in the United States and in many international jurisdictions.

In addition to consumer loan lenders, the Company also competes with financial institutions, such as banks, credit unions, other consumer lenders and retail businesses offering similar financial services. Other lenders may and do lend money on terms more favorable than those offered by the Company. The Company believes that there is also indirect competition to some of its products and services, including bank overdraft facilities and banks and retailers insufficient funds policies, many of which may be more expensive alternative approaches for consumers to cover their bills and expenses than the consumer loan products and services offered by the Company.

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 Item 2. Properties.)

Pawnshop Regulations

U.S. Regulation

The Company s pawn lending locations are regulated by the states and local jurisdictions in which they are located and generally must be licensed by the state. The statutes and regulations applicable to pawn lending locations vary from state to state and in each local jurisdiction. In general, these statutes and regulations establish licensing requirements for pawnbrokers and pawn lending locations and regulate various aspects of the pawn loan, such as the service charges and interest rates that a pawn lending location 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 pawn lending location must hold defaulted pawned collateral or purchased items before disposing of the merchandise. Failure to observe a state s legal requirements for pawnbroking could result in, among other things, a loss of pawn licenses in that state, the imposition of fines or refunds, and other civil and/or criminal penalties. Additional federal regulations governing pawn operations are described in Other Regulations Affecting Lending Operations below.

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Many of the Company s pawn lending locations are also subject to ordinances in their local jurisdictions that may require, for example, local licenses or permits and specified recordkeeping procedures, among other things. Most of the Company s pawn lending locations voluntarily, or pursuant to applicable laws, work with local law enforcement agencies and other pawn lenders to determine conflicting claims of rightful ownership. 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. 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 pawn lending location 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 require each pawn lending location dealing in guns to maintain a permanent written record of all receipts and dispositions of firearms.

Mexico Regulation

The Cash America casa de empeño storefront locations are regulated by a federal consumer protection agency, Procuraduría Federal del Consumidor (PROFECO). PROFECO regulates the form and terms of pawn loan contracts and many operating standards and procedures for pawnshops, including retail operations. Certain amendments to Mexican federal consumer protection laws will take effect in July 2013. PROFECO will be charged with enforcing compliance with the amendments. The amendments will, among other things, require all pawnshops to register themselves and their contracts with PROFECO and report certain customer activities that PROFECO determines may be associated with stolen goods. Neither PROFECO nor federal statute imposes interest rate caps on pawn loans. The pawn industry in Mexico is also subject to various regulations in the areas of tax compliance, customs, consumer protection and employment matters, among others, by various federal, state and local governmental agencies. Additionally, certain Mexican states have pawn statutes that require pawnshops to be licensed and regulate certain aspects of a pawn operation such as rate, pawn tickets and other terms of the pawn transaction. Generally, however, federal regulations are intended to control over the state statutes with respect to the pawn operations in Mexico.

Consumer Loan Regulations

U.S. Regulation

Each state in the United States in which the Company originates consumer loan products has specific laws dealing with the conduct of this business. The same regulations generally apply to consumer loans made both in storefront locations and online. These laws and regulations typically restrict the amount of finance and service charges that may be assessed, including setting the maximum fees or interest rates that the Company can charge, and limit the customer s ability to renew or extend these consumer loans. In many instances, the regulations also limit the aggregate principal amount that a provider may advance (and, in some cases, the number of consumer loans the provider may make) to any one customer at one time. Some state statutes also specify minimum and maximum maturity dates for consumer loans and, in some cases, specify mandatory cooling-off periods between transactions. Consumer loan lenders typically must be licensed by the state licensing authority in order to offer the consumer loan product in that state and must file periodic written reports regarding business operations and undergo comprehensive examinations or audits from time to time to assess its compliance with applicable laws and regulations. Some states require consumer loan lenders to report their customers consumer loan activities to a state-wide database, and such lenders are generally restricted from making consumer loans to customers who may have a certain amount of consumer loans outstanding with other lenders. Failure to observe a state s legal requirements for consumer loan lending could result in, among other things, a loss of consumer loan licenses in that state, the imposition of fines or customer refunds, and other civil and/or criminal penalties. As applicable or required, the Company maintains active licenses in each of the states or jurisdictions in which it operates.

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In states or jurisdictions (including certain municipalities in Texas), where the Company offers its CSO programs, it complies with that jurisdiction s Credit Services Organization Act or a similar statute or ordinance that generally defines the services that the Company can provide to consumers and requires the Company to provide a contract to the customer outlining its services and the cost of those services to the customer. In addition, these laws may require additional disclosures to consumers and may require the Company to be registered or licensed with the jurisdiction and/or be bonded.

The consumer loan 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, including the Electronic Funds Transfer Act. Additionally, the Company uses the Federal Fair Debt Collection Practices Act (FDCPA) as a guide to operating its collection activities and complies with applicable state collection practices laws. Furthermore, with respect to online consumer loans, 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. In addition, some states restrict the advertising content of marketing materials with respect to consumer loans.

Additional federal regulations governing consumer lending businesses are described in Other Regulations Affecting Lending Operations below.

Consumer loans have come under increased regulatory scrutiny in recent years that has resulted in increasingly restrictive regulations and legislation that has been introduced or adopted in a number of states, which has eliminated the offering of consumer loans in certain states or has made offering such loans less profitable or unattractive to the Company.

Foreign Regulation

In the United Kingdom, the Company s consumer lending activities must comply with the European Union Consumer Credit Directive, the CCA and with related rules and regulations, which, among other things, require the Company to obtain governmental licenses and prescribe the presentation, form and content of loan agreements, including statutory warnings and the layout of financial information. The Company must also follow the Irresponsible Lending Guidance of the OFT, which provides greater clarity for lenders as to business practices that the OFT believes constitute irresponsible lending under the CCA. In April 2014, the FCA will take over responsibility for regulating consumer credit from the OFT and may change the way consumer loans are regulated in the United Kingdom. The Company is also subject to the requirements of the Data Protection Act 1988 (the DPA) and is required to be fully registered as a data-controller under the DPA. The Company is also required to be certified under the European Union Safe Harbor provisions, which allows European Union data to be passed to non-European Union countries.

In Australia, the Company acts as a finance broker, offering the lending products of unaffiliated third-party lenders, which is similar to the Company s CSO programs in the United States. In Australia, the Company follows the responsible lending guidelines under the National Consumer Credit Protection Act (2010) (the NCCPA). In Canada, all regulation of the consumer lending industry is conducted at the provincial level. In general, the regulations require lenders to be licensed, set maximum fees and regulate collection practices.

For recent developments related to and a further discussion of the OFT, including the transition to regulation by the FCA, and the NCCPA, see Recent Developments Recent Regulatory and Other Developments UK Office of Fair Trading and Item 1A. Risk Factors Risks Related to the Company s Business and Industry *Significant changes in, or a deterioration of, the political, regulatory or economic environment of Mexico, Australia, Canada or the United Kingdom could affect the Company s operations in these countries.*

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Industry Best Practices

The Company is a member of the Community Financial Services Association of America (the CFSA) in the U.S., the Online Lenders Alliance (OLA) in the U.S. and the Consumer Finance Association (the CFA) in the U.K. These associations have developed guidelines or best practices for responsible lending for their members to follow that often have more extensive requirements than federal, state and local regulatory requirements with which the Company is required to comply. The Company endeavors to adhere to the guidelines or best practices of these associations, which are summarized below.

The CFSA is a national association of lenders that encourages responsible industry practices and promotes consumer loan legislation and regulation to provide consumer loan customers with substantive consumer protections while preserving their access to short-term credit options. The CFSA requires its members to follow the CFSA s guidelines for responsible lending, to promote responsible lending practices in the consumer loan industry, and to ensure that customers have complete information about their loan and are treated fairly and in compliance with the laws applicable to their loan. Among other things, the guidelines developed by the CFSA include:

- Fully and clearly disclosing the terms of each loan, including prominent disclosure of the service fee amount as both a dollar amount and as an annual percentage rate, as required by the Federal Truth in Lending Act and applicable state laws;
- Providing customers who are unable to repay a loan according to its original terms an opportunity, at least once in a 12-month period, to repay the loan in four equal installments over an extended period at no extra cost;
- Limiting loan rollovers (or extensions of outstanding consumer loans) to four, or less if required by applicable state law;
- Complying with applicable laws, including limiting rates or fees charged to those permitted by applicable state or federal law;
- Providing customers a one-day right to rescind any consumer loan transaction without incurring any additional charges;
- Encouraging consumer responsibility by promoting responsible use of consumer loans;
- Collecting past due amounts in a professional, fair and lawful manner, and utilizing the FDCPA as guidance for collection activities;
- Prohibiting the taking or threatening of criminal action against a customer as a result of the customer s check being returned unpaid or the customer s account not being paid;
- Participating in self-policing the industry and reporting violations of CFSA s Best Practices to the CFSA, including agreeing to maintain and post a toll-free consumer hotline number; and
- Requiring that lenders providing payday advances through the Internet must be licensed in each state where their payday advance customers reside and must comply with the disclosure, rollover, rate, and other requirements imposed by each such state, unless such state does not require the lender to be licensed or to comply with such provisions.

The OLA is a professional organization representing the growing industry of companies offering online consumer loans in the United States. All member companies have agreed to OLA Best Practices and a Code of Conduct developed by OLA to ensure that consumer loan customers are fully informed, fairly treated and are using all lending products and practices responsibly. The OLA also has been tasked with clearing up misconceptions and myths surrounding the online lending industry and educating the public, legislators and regulators about the demand for and importance of consumer loan products on the Internet. The OLA Best Practices are summarized as follows:

- Disclose all loan terms in a transparent and easy to understand way to help consumers make educated decisions;
- Provide consumers a chance to change their mind by maintaining a reasonable cancellation policy;
- Comply with all applicable laws and regulations and be in good standing with applicable governing officials and regulatory bodies;

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- Protect consumers personal data with comprehensive website security and a privacy policy;
- Help consumers help themselves by providing referrals to credit counseling, education and assistance where appropriate;
- Follow all Truth-in-Lending practices;
- Use advertising and marketing practices that promote the responsible use of short-term credit services;
- Prohibit any false, misleading or deceptive acts or practices;
- Provide comprehensive website security and fraud prevention practices that include timely and accurate reports on loan activity, consumer notification of account use, and validation of routing numbers;
- Treat consumers with respect and use fair, professional and non-abusive collection practices; and
- Prohibit the use of unlawful threats, intimidation, or harassment to collect accounts.

The CFA is a national association of lenders in the United Kingdom that encourages responsible industry practices and promotes consumer loan legislation and regulation to provide consumer loan customers with substantive consumer protections while preserving their access to short-term credit options. The CFA requires its members to follow the CFA Lending Code for Small Cash Advances and the industry Good Practice Customer Charter. These guidelines help to ensure responsible lending practices in the consumer loan industry and to ensure that customers have complete information about their loan and are treated fairly and in compliance with the laws applicable to their loan. Among other things, the guidelines developed by the CFA include:

- Acting fairly, reasonably and responsibly in all dealings with consumers;
- Not putting pressure on consumers to enter into any loan agreement or to extend (or roll over) the term of their existing loan agreement;
- Telling consumers that a payday or short-term loan should be used for short-term financial needs and is not appropriate for long-term borrowing or if they are in financial difficulty;
- Telling consumers how the loan works and the total cost of the loan (including providing an example of the price for each £100 borrowed, together with the fees and charges);
- Checking whether the loan is suitable for the consumer by taking into account their specific circumstances;
- Carrying out a sound, proper and appropriate affordability assessment and reviewing the creditworthiness of the consumer for each loan application and before a loan is extended (or rolled over) to check if the consumer can afford the loan;
- Explaining how payments will be deducted from a consumer s bank account and how a consumer can contact a lender by phone, email or online;
- Setting out clearly how continuous payment authority works (if used by a lender to electronically debit a consumer s bank account) and a consumer s rights to cancel this authority, so the consumer can decide if this type of repayment is acceptable to them;
- Limiting extensions of short-term loans to three occasions;
- Dealing with cases of financial difficulty sympathetically and positively and doing what is needed to help a consumer manage what they owe;
- Telling a consumer about free and independent debt-counseling organizations who can help them; and
- Telling a consumer about a lender s complaints-handling procedure when they take out a loan or when requested.

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Check Cashing Regulations

The Company offers check cashing services at many of its pawn lending locations and consumer loan storefront 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 have adopted ceilings on check cashing fees. 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 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 Company is also subject to the Federal Truth-in-Lending Act (and its underlying regulations, known as Regulation Z) and the Fair Credit Reporting Act. These laws require the Company to provide certain disclosures to prospective borrowers and protect against unfair credit practices. The principal disclosures required under the Truth-in-Lending Act are intended to promote the informed use of consumer credit. Under the Truth-in-Lending Act, the Company, when acting as a lender, is required to disclose certain material terms related to a credit transaction, including, but not limited to, the annual percentage rate, finance charge, amount financed, total of payments, the number and amount of payments and payment due dates to repay the indebtedness. The Fair Credit Reporting Act regulates the collection, dissemination and use of consumer information, including consumer credit information. The Fair Credit Reporting Act requires the Company to promptly update any credit information reported to a credit reporting agency about a consumer and to allow a process by which consumers may inquire about credit information furnished by the Company to a consumer reporting agency. In addition, the Fair Credit Reporting Act requires that the Company must provide a loan applicant a Notice of Adverse Action when the Company denies an application for credit, which, among other things, informs the applicant of the action taken regarding the credit application and of their right to learn the specific reasons for the denial of credit. In addition, the Federal Equal Credit Opportunity Act prohibits discrimination against any credit applicant on the basis of any protected category, such as race, color, religion, national origin, sex, marital status, or age, and requires the Company to notify credit applicants of any action taken on the individual s credit application.

The Company is also subject to the USA PATRIOT Act under which 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. In addition, the U.S. Treasury Department s Office of Foreign Assets Control requires that assets and transactions involving target countries and their nationals be frozen.

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

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$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. 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.

Since October 2007, federal law caps the annual percentage rate that may be imposed on certain loans made to active duty military personnel or to active members of the National Guard or on active Reserve Duty, as well as their immediate dependents at 36%. This 36% annual percentage rate cap, which effectively prohibits the Company from offering certain of its consumer loan products to active members of the military or their dependents, applies to a variety of loan products, including certain consumer loans, though it does not apply to pawn loans.

The Federal Fair and Accurate Credit Transaction Act requires the Company to adopt written guidance and procedures for detecting, preventing, and responding appropriately to mitigate, identity theft and to adopt various coworker policies, procedures, and provide coworker training and materials, that address the importance of protecting non-public personal information and aid the Company in detecting and responding to suspicious activity, including suspicious activity that may suggest a possible identity theft red flag, as appropriate.

In addition, the Company is also subject to regulation by the Federal Trade Commission (FTC) in the United States. The FTC s Bureau of Consumer Protection s mandate is to work to protect consumers against unfair, deceptive, or fraudulent practices in the marketplace. In furtherance of consumer protection, the FTC provides guidance and enforces federal laws concerning truthful advertising and marketing practices; fair financial practices in lending, loan servicing and debt collection; and protection of sensitive consumer information.

The Dodd-Frank Act created the CFPB, which has begun exercising supervisory review over certain non-bank providers of consumer financial products and services, including providers of consumer loans such as the Company. For more information about the CFPB, see Recent Developments Recent Regulatory and Other Developments Consumer Financial Protection Bureau and Item 1A. Risk Factors Risks Related to the Company s Business and Industry *The Consumer Financial Protection Bureau could have a significant impact on the Company s U.S. consumer loan business.*

The failure to comply with any of the laws, rules or related regulations described in Other Regulations Affecting Lending Operations could result in, among other things, the issuance of cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief), the imposition of fines or refunds, and other civil and/or criminal penalties, some of which could be significant in the case of knowing or reckless violations.

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

The Company could be subject to changes in domestic and foreign laws and regulations as discussed under Item 1A. Risk Factors Risks Related to the Company s Business and Industry *Adverse changes in laws or regulations affecting the Company s products and services could negatively impact the Company s operations* and *Significant changes in, or a deterioration of, the political, regulatory or economic environment of Mexico, Australia, Canada or the United Kingdom could affect the Company s operations in these countries.*

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.

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Company and Website Information

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.

The Company s website is located at www.cashamerica.com. Through its website, 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 SEC. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

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	62	Chief Executive Officer and President
Thomas A. Bessant, Jr.	54	Executive Vice President Chief Financial Officer
David A. Fisher	43	Chief Executive Officer E-Commerce Division
Timothy S. Ho[a]	32	President E-Commerce Division
Dennis J. Weese	49	President Retail Services Division
J. Curtis Linscott	47	Executive Vice President General Counsel and Secretary

[a] Mr. Ho will step down as President of the E-Commerce Division on March 29, 2013.

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 one of the Company s subsidiaries from February 1998 to February 1999 before returning to the position of President and Chief Operating Officer of the Company. Mr. Feehan received a Bachelor of Business Administration degree in Accounting from Texas A&M University.

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. from June 1989 to April 1993. Prior to that, Mr. Bessant was a Vice President in the Corporate Banking Division of a major money center bank where he started his professional career in 1981. Mr. Bessant holds a Bachelor of Business Administration degree in Accounting and Finance from Texas Tech University and a Masters of Business Administration degree in Finance from Vanderbilt University.

David A. Fisher was appointed Chief Executive Officer of the E-Commerce Division of the Company on January 29, 2013. Prior to joining the Company, Mr. Fisher was Chief Executive Officer of optionsXpress Holdings, Inc. (optionsXpress) from October 2007 until The Charles Schwab Corporation acquired the business in September 2011. Following the acquisition, Mr. Fisher served as President of optionsXpress until March 2012. Mr. Fisher also served as the President of optionsXpress from March 2007 to October 2007 and as the Chief Financial Officer of optionsXpress from August 2004 to March 2007. Prior to joining optionsXpress, Mr. Fisher served as Chief Financial Officer of Potbelly Sandwich Works from February 2001 to July 2004, and before that in the roles of Chief Financial Officer and General Counsel for Prism Financial Corporation. In addition, Mr. Fisher has served on the Board of

Directors of InnerWorkings, Inc., since November 2011 and has served on the Board of Directors of GrubHub, Inc., a venture-backed company, since May 2012. Mr. Fisher also served on the Board of Directors of optionsXpress from October 2007 until September 2011 and CBOE Holdings, Inc. from January 2007 until October 2011. Mr. Fisher received a Bachelor of Science degree in Finance from the University of Illinois and a law degree from Northwestern University School of Law.

Timothy S. Ho has been President E-Commerce Division since October 1, 2008 and has been the President and Chief Executive Officer of Enova since its formation in September 2011. Mr. Ho joined Enova International, Inc. (formerly known as CashNetUSA) in January 2006 as Director of Process Development, and he joined the Company in September 2006 as Vice President of Business Development in conjunction with the Company s acquisition of CashNetUSA. Mr. Ho served as Senior Vice President Strategic Development-E-Commerce Division from February 2008 until October 2008 where he oversaw the division s strategy, marketing and analytics. Prior to joining Enova, Mr. Ho worked in program management at GE Healthcare in Milwaukee, Wisconsin. He received a Bachelor of Science degree in Computer Science from the University of Illinois. Mr. Ho will step down as President of the E-Commerce Division on March 29, 2013.

Dennis J. Weese has been the President Retail Services Division since July 2008. He 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 Brands Inc. from May 2001 until July 2004 and with YUM! Brands, Inc. from September 1990 to May 2001. He is a graduate of the United States Military Academy at West Point 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.

J. Curtis Linscott has been Executive Vice President General Counsel and Secretary since 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. for five years. He received his law degree from the University of Kansas School of Law in 1990 and an undergraduate degree in Marketing from Kansas State University.

ITEM 1A. RISK FACTORS

The Company s business and future results may be affected by a number of risks and uncertainties that should be considered carefully in evaluating the Company. There may be additional risks and uncertainties to those listed below that are not presently known to the Company or that management currently deems immaterial that may also impair the Company s business operations. The occurrence of one or more of the events listed below could have a significant adverse affect on the Company s business, prospects, financial condition, results of operations and cash flows.

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Risks Related to the Company s Business and Industry

Adverse changes in laws or regulations affecting the Company s products and 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, local and foreign laws, ordinances and regulations. In addition, as the Company develops new products and services, it will become subject to additional federal, state, local and foreign laws, ordinances and regulations. Failure to comply with applicable laws and regulations could subject the Company to regulatory enforcement action and/or could result in the assessment against the Company of civil, monetary or other penalties, could require the Company to refund interest or fees or could result in a determination that certain loans are not collectible. 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 or effectively eliminate some of the Company s current loan products.

In particular, consumer loans have come under increased regulatory scrutiny in the United States in recent years that has resulted in increasingly restrictive regulations and legislation that makes offering such loans in certain states less profitable or unattractive to the Company. Regulations adopted by some states require that all borrowers of certain short-term loan products be listed on a database and limit the number of loans a borrower may have outstanding. Other regulations adversely impact the availability of some of the Company s consumer loan products to active duty military personnel, active members of the National Guard or members on active reserve duty and their immediate dependents. Legislative or regulatory activities may also limit the amount of interest and fees to levels that do not permit the offering of consumer loans to be feasible or may limit the number of consumer loans that customers may receive or have outstanding.

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 consumer loan products to consumers, despite the significant demand for it. In particular, both the executive and legislative branches of the U.S. federal government continue to receive significant pressure from consumer advocates and other industry opposition groups, and those governmental branches have recently exhibited an increased interest in debating legislation that could further regulate consumer loan products. The U.S. Congress has debated, and may in the future adopt, proposed legislation that could, among other things, place a cap on the effective annual percentage rate on consumer loan transactions (which could encompass both the Company s consumer loan and pawn businesses), place a cap on the dollar amount of fees that may be charged for consumer loans, ban or limit loan renewals or extensions (where the customer agrees to pay the current finance charge on a loan for the right to make payment of the outstanding principal balance of such loan at a later date plus an additional finance charge), including the rates to be charged for loan renewals or extensions, require the Company to offer an extended payment plan, allow for only minimal origination fees for advances, require short-term lenders to be bonded or require lenders to report consumer loan activity to databases designed to monitor or restrict consumer borrowing activity.

The Company follows legislative and regulatory developments in each state where it does business. In addition, since 2007, legislative changes that have been enacted in Arizona, Colorado, Delaware, Illinois, Maryland, Minnesota, Montana, New Hampshire, Ohio, Oregon, Washington and Wisconsin impact some of the consumer loan products the Company has historically offered in those states. Due to these legislative changes, the Company has ceased offering consumer loans in the States of Arizona, Montana and New Hampshire and discontinued its Credit Services Organization program in Maryland. In addition, these changes have also altered the parameters upon which the Company offers some of its consumer loans to consumers in the other states mentioned above, which has generally had the effect of reducing the profitability and the volume of the consumer loans the Company offers to customers in these other states. See Item 1. Business Recent Developments Recent Regulatory and Other Developments for additional information regarding recent regulatory developments.

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The Company cannot currently assess the likelihood of any future unfavorable federal or state legislation or regulations being proposed or enacted that could affect the Company s products and services, including consumer loans and pawn loans. The Company is closely monitoring proposed legislation being discussed in states such as Kansas, Kentucky, Mississippi, Missouri, Ohio and Texas, among others. There can be no assurance that additional legislative or regulatory initiatives will not be enacted that could severely restrict, prohibit or eliminate the Company s ability to offer a consumer loan product. Any federal or state legislative or regulatory action that severely restricts, by imposing an annual percentage rate limit on consumer loan transactions or otherwise prohibits, or places restrictions on, consumer loans and similar services, if enacted, could have a material adverse impact on the Company s business, prospects, results of operations and financial condition and could impair the Company s ability to continue current operations.

In addition to state and federal laws and regulations, the Company s business is subject to various local rules and regulations such as local zoning regulation and permit licensing. Local jurisdictions efforts to restrict pawnshop operations and short-term lending through the use of local zoning and permitting laws have been increasing. Actions taken in the future by local governing bodies to require special use permits for, or impose other restrictions on consumer lending or short-term lenders could have a material adverse effect on the Company s business, prospects, results of operations and financial condition and could impair the Company s ability to continue current operations.

As described further below, the Company is also subject to foreign laws in the countries in which it operates or offers loan products.

The Consumer Financial Protection Bureau could have a significant impact on the Company s U.S. consumer loan business.

In July 2010, the U.S. Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), and Title X of the Dodd-Frank Act created the Consumer Financial Protection Bureau (the CFPB), which regulates consumer financial products and services, including consumer loans offered by the Company. On January 4, 2012, President Obama appointed a Director of the CFPB in a recess appointment bypassing Senate confirmation. Although there remain doubts about the legality of this appointment and the appointment is subject to legal challenge, the CFPB has begun exercising supervisory review over certain non-bank providers of consumer financial products and services, including providers of consumer loans such as the Company. The Dodd-Frank Act gave the CFPB, among other things, authority to examine and require registration of providers of consumer financial products and services, including providers of consumer loans such as the Company; the authority to adopt rules describing specified acts and practices as being unfair, deceptive or abusive, and hence unlawful; and the authority to impose record-keeping obligations. The Company does not currently know the nature and extent of the rules that the CFPB will consider with respect to consumer loan products and services such as those offered by the Company or the timeframe in which the CFPB may consider such rules.

The CFPB has indicated that it intends to systematically gather data to obtain a complete picture of the consumer loan market and its impact on consumers, and the CFPB has also released its Short-Term, Small-Dollar Lending Examination Procedures, which is the field guide for CFPB examiners to use when examining small-dollar lenders such as the Company. The CFPB s examination authority permits CFPB examiners to inspect the Company s books and records and ask questions about its business, and the examination procedures include specific modules for examining marketing activities, loan application and origination activities, payment processing activities and sustained use by consumers, collections, accounts in default, consumer reporting and third-party relationships, as well as the Company s compliance program. Although the CFPB does not have the authority to regulate interest rates, it is possible that at some time in the future the CFPB could propose and adopt new rules that require certain changes to short-term consumer lending products and services, including certain short-term loans offered by or through the Company, which could make these products and services materially less profitable or even impractical to offer and could force the Company to modify or terminate certain of its product offerings in the United States. The CFPB could also adopt rules imposing new and potentially burdensome requirements and limitations with respect to other consumer loan products and services. Any new rules adopted by the CFPB could also result in significant compliance costs to the Company. Any such rules could have a material adverse effect on the Company s business, results of operations and financial condition or could make the continuance of all or part of the Company s U.S. consumer loan business impractical or unprofitable.

In furtherance of its regulatory and supervisory powers, the CFPB has the authority to impose monetary penalties for violations of applicable federal consumer financial laws, require remediation of practices and pursue enforcement actions. The CFPB has the authority to obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties ranging from $5,000 per day for ordinary violations of federal consumer financial laws to $25,000 per day for reckless violations and $1 million per day for knowing violations. Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations implemented under Title X of the Dodd-Frank Act, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions to remedy violations of state law. If the CFPB or one or more state attorneys general or state regulators or the Federal Trade Commission, acting under the Federal Trade Commission Act, believe that the Company has violated any of the applicable laws or regulations, they could exercise their enforcement powers in ways that could have a material adverse effect on the Company or its business.

Negative public perception of the Company s business, specifically its consumer loan business and its business practices, could cause demand for the Company s products to significantly decrease.

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. Such consumer advocacy groups and media reports generally focus on the Annual Percentage Rate to a consumer for this type of loan, which is compared unfavorably to the interest typically charged by banks to consumers with top-tier credit histories. The fees charged by the Company and others in the industry attract media publicity about the industry and can be perceived as controversial by those who do not focus on the credit risk and high transaction costs of serving the Company s customer segment. If the negative characterization of these types of loans becomes increasingly accepted by consumers, demand for any or all of the consumer loan products offered by the Company 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 applicable to short-term loans or other consumer loan products offered by the Company that could materially adversely affect the Company s financial condition and results of operations and could impair the Company s ability to continue current operations.

In addition, the Company s ability to attract and retain customers is highly dependent upon the external perceptions of its level of service, trustworthiness, business practices, financial condition and other subjective qualities. Negative perceptions or publicity regarding these matters even if related to seemingly isolated incidents could erode trust and confidence and damage the Company s reputation among existing and potential customers, which could make it difficult for the Company to attract new customers and maintain existing ones and could significantly decrease the demand for the Company s products.

Significant changes in, or a deterioration of, the political, regulatory or economic environment of Mexico, Australia, Canada or the United Kingdom could affect the Company s operations in these countries.

Significant changes in, or a deterioration of, the political, regulatory or economic environment of Mexico, Australia, Canada or the United Kingdom could restrict the ability of the Company to sustain or expand its operations in these countries, which could materially adversely affect the Company s business, prospects, results of operations and financial condition and could impair the Company s ability to continue its operations in these countries.

In Mexico, restrictions and regulations affecting pawn services, including licensing restrictions, disclosure requirements and limits on interest rates have been and likely will in the future be proposed from time to time. The Company also maintains business relationships with significant third-party service providers. The failure of key service providers to fulfill their obligations as a result of regulatory, political, economic or other factors could disrupt the Company s operations in Mexico. The Company s business in Mexico is also subject to other potential risks and uncertainties that are beyond the Company s control, such as violence, social unrest, enforcement of property rights and public safety and security, which could restrict or eliminate the Company s ability to operate some or all of its locations in Mexico or significantly reduce customer traffic or demand.

In addition, the Company offers consumer loans, either directly or through an independent third-party lender, over the Internet to customers in Australia, Canada and the United Kingdom. The United Kingdom and Australia have recently exhibited an increasing interest in considering legislation that could regulate or restrict the consumer loan products the Company offers.

In Australia the Company acts as a finance broker, offering the lending products of unaffiliated third-party lenders, which is similar to the Company s credit services organization (CSO) programs in the United States. In Australia, the Company follows the responsible lending guidelines under the National Consumer Credit Protection Act (2010) (the NCCPA), which has been recently amended. Part of the amendment will become effective on March 1, 2013, and the remainder will become effective on July 1, 2013. The amendment includes limitations on permissible fees charged on certain consumer loans, including consumer loans arranged by the Company. The Company is still assessing the impact of this amendment on the product offered in Australia, but the Company expects that the product will be modified as a result of this amendment, which could make the product less profitable or could eliminate the Company s ability to offer lending products in Australia. The Company may even need to exit Australia if the product cannot be modified in a way that retains their profitability in that country.

In the United Kingdom, the Company must follow the Irresponsible Lending Guidance of the Office of Fair Trading (the OFT) and the Consumer Credit Act of 1974 that was amended by the Consumer Credit Act of 2006 (collectively, the CCA), among other rules and regulations. In December 2012, the U.K. Parliament passed the Financial Services Act of 2012 (the Act), certain provisions of which take effect on April 1, 2013 and April 1, 2014. The Act makes changes to the CCA and the Financial Services and Markets Act of 2000 (the FSMA) and gives the OFT the power to suspend consumer credit licenses with immediate effect or from a date specified. The Act also creates the Financial Conduct Authority (the FCA), which will take over responsibility for regulating consumer credit from the OFT in April 2014. The FCA may regulate consumer credit pursuant to the guidance of the FSMA, which includes prescriptive regulations that currently govern the secured credit market and could possibly call for the repeal of the CCA or for enabling legislation in the United Kingdom. Prescriptive regulations, as contrasted with principles-based regulations that currently regulate the lending process in the United Kingdom, define what a lender may and may not do with a specific product, similar to U.S. law. However, the U.K. coalition government has reserved the option to retain the principles-based CCA provisions should it conclude that a regulatory model for unsecured consumer credit under the FSMA and FCA cannot be delivered in an effective regulatory manner. During the period of transition of regulatory responsibility over consumer credit from the OFT to the FCA, the OFT will continue to fully and rigorously regulate consumer credit, including the short-term loan market. If prescriptive regulations are adopted, the Company s compliance costs will be significantly increased. Any of these changes could have a material adverse effect on the Company s business, prospects, results of operations and financial conditions and could impair its ability to continue current operations in the United Kingdom.

In addition, in October 2011, the OFT issued debt collection guidance that was revised in November 2012. This debt collection guidance allows consumer lenders such as the Company to debit a customer s account, which includes debits to both bank accounts and debit cards, in a reasonable and non-excessive manner. The Company has not experienced a material adverse impact on its business as a result of this guidance. The OFT may, in the future, issue additional guidance that could require further adjustments to the Company s collections processes and could result in lower collections on loans made by the Company and a decrease in the number of customers that it is able to approve.

In February 2012, the OFT also announced that it had launched a review of the payday lending sector in the United Kingdom to assess the sector s compliance with the CCA, the OFT s Irresponsible Lending Guidelines and other relevant guidance and legal obligations. The OFT has announced that these inspections could be used to assess a licensee s fitness to hold a consumer credit license and could result in formal enforcement action where appropriate. The OFT is expected to announce its findings during the first quarter of 2013. If the Company is required to make changes to its consumer loan operations in the United Kingdom as a result, such action could have a material adverse effect on the Company s foreign business, prospects, results or operations and financial condition and could impair the Company s ability to continue its current operations.

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. Any such change in the value of gold could materially adversely affect the Company s business, prospects, results of operations and financial condition.

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There can be no assurance that the Company will be able to operate at an acceptable level of profitability in Mexico after its Mexico-based pawn operations are reorganized.

During the third and fourth quarters of 2012, the Company substantially completed the reorganization of its Mexico-based pawn operations that comprise the foreign component of its retail services segment to include only full-service pawn locations that offer pawn loans based on the pledge of general merchandise and jewelry-based collateral (the Mexico Reorganization). The Company recognized $28.9 million of charges related to the Mexico Reorganization during the year ended December 31, 2012. Following the Mexico Reorganization, the Company expects to continue operating 47 full-service pawn locations in Mexico. There is no assurance that these remaining full-service pawn locations will be able to operate in Mexico at an acceptable level of profitability. If these remaining pawn locations have to be closed in the future, the Company will incur additional charges, which could adversely affect the Company s results of operations in the period when it takes such charge.

Current and future litigation or regulatory proceedings could have a material adverse effect on the Company s business, prospects, results of operations and financial condition.

The Company has been and is currently subject to lawsuits (including purported class actions) that could cause it to incur substantial expenditures and generate adverse publicity. The Company is also likely to be subject to further litigation in the future. The consequences of an adverse ruling in any current or future litigation could cause the Company to have to refund fees and/or interest collected, refund the principal amount of advances, pay treble or other multiple damages, pay monetary penalties and/or modify or terminate the Company s operations in particular states. Defense of any lawsuit, even if successful, could require substantial time and attention of the Company s management and could require the expenditure of significant amounts for legal fees and other related costs. Settlement of lawsuits may also result in significant payments and modifications to the Company s operations. The Company is also subject to regulatory proceedings, and the Company could suffer losses from interpretations of state laws in those regulatory proceedings, even if it is not a party to those proceedings. Any of these events could have a material adverse effect on the Company s business, prospects, results of operations and financial condition and could impair the Company s ability to continue current operations.

Adverse court interpretations of the laws and regulations under which the Company operates could require the Company to alter the products it offers or impair the Company s ability to offer certain products.

On May 28, 2009, a subsidiary of the Company, Ohio Neighborhood Finance, Inc., doing business as Cashland (Cashland), filed a standard collections suit in an Elyria Municipal Court in Ohio against Rodney Scott seeking judgment against Mr. Scott in the amount of $570.16, which was the amount due under his loan agreement. Cashland s loan was offered under the Ohio Mortgage Loan Act (OMLA), which allows for interest at a rate of 25% per annum plus certain loan fees allowed by the statute. The Municipal Court held that short-term, single-payment consumer loans made by Cashland are not authorized under the OMLA, and instead should have been offered under the Ohio Short-Term Lender Law, which was passed by the Ohio legislature in 2008 for consumer loans with similar terms. Due to a cap on interest and loan fees at an amount that is less than permitted under OMLA, the Company does not offer loans under the Ohio Short-Term Lender Law.

On December 3, 2012, the Ohio Ninth District Court of Appeals affirmed the Municipal Court s ruling in a 2-1 decision. Although this court decision is only legally binding in the Ninth District of Ohio, which includes four counties in northern Ohio where Cashland operates seven stores, other Ohio courts may consider this decision.

The Company filed an appeal of the Ninth District Court s decision with the Ohio Supreme Court on January 17, 2013 because it believes that this decision is contrary to the language of the OMLA, and the Ohio Supreme Court has not yet determined whether it will hear the appeal. If the Ninth District Court s decision is upheld by the Ohio Supreme Court on appeal, the Company s Ohio operations may be adversely affected. The Company relies on the OMLA to make short-term loans in its retail services locations in Ohio, and if the Company is unable to continue making short-term loans under this law, it will have to alter its short-term loan product in Ohio. In addition, the Company has received, and may in the future receive, claims that it improperly made loans under the OMLA, which could result in material losses to the Company or require the Company to make refunds in connection with certain short-term loans made under the OMLA.

Adverse court interpretations of the various laws and regulations under which the Company operates could require the Company to alter the products that it offers or cease doing business in the jurisdiction where the court interpretation is applicable. Any of these events could have a material adverse effect on the Company s business, prospects, results of operations and financial condition.

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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 consumer loan revenues depend in part on the willingness and ability of unaffiliated third-party lenders to make loans to customers and other third parties to provide services to facilitate lending and loan underwriting in both the storefront and online lending consumer loan 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 or to have the ability to provide their products and services, could cause the Company to lose customers and substantially decrease the revenues and earnings of the Company s consumer loan business. The Company offers other services provided by various third-party vendors available to its customers. If a third-party provider fails to provide its products or services, does not maintain its quality and consistency or fails to have the ability to provide its products and services, 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. Any of these events could result in a loss of revenue and could have a material adverse effect on the Company s business, prospects, results of operations and financial condition.

A decreased demand for the Company s products and specialty financial services and failure of the Company to adapt to such decrease could result in a loss of revenue and could have a material adverse effect on the Company.

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 regulatory restrictions that reduce customer access to particular products, the availability of competing products or changes in customers financial conditions. 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 or introduce new products to fulfill customer demand, 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 consumer loan operations of the Company and the products it offers. Any of these events could result in a loss of revenue and could have a material adverse effect on the Company s business, prospects, results of operations and financial condition.

If the Company s allowance for losses and liability for estimated losses on third-party lender-owned consumer loans are not adequate to absorb losses or if the Company does not successfully manage its credit risk for unsecured consumer loans, the Company s business, results of operations and financial condition may be adversely affected.

As more fully described under Item 8. Financial Statements and Supplementary Data Note 6, the Company utilizes a variety of underwriting criteria, monitors the performance of its consumer loan portfolios and maintains either an allowance or liability for estimated losses on consumer loans (including fees and interest) at a level estimated to be adequate to absorb credit losses inherent in the receivables portfolio and expected losses from loans guaranteed under the CSO programs. The allowance deducted from the carrying value of consumer loans was $85.7 million at December 31, 2012, and the liability for estimated losses on third-party lender-owned consumer loans was $3.5 million at December 31, 2012. These reserves are estimates, and if actual loan losses are materially greater than the Company s reserves, the Company s results of operations and financial condition could be adversely affected. In addition, if the Company does not successfully manage credit risk for its unsecured consumer loans through its loan underwriting, it could incur substantial credit losses due to customers being unable to repay their loans. Any failure to manage credit risk could materially adversely affect the Company s business, results of operations and financial condition.

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Increased competition from banks, savings and loans, other 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. Its principal competitors are other pawnshops, consumer loan companies, credit service organizations, 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 consumer loans 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, internet retailers and internet 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.

The Company s success is dependent, in part, upon its executive officers, and if the Company is not able to attract and retain qualified executive officers, its business could be materially adversely affected.

The Company s success depends, in part, on its executive officers, which is comprised of a relatively small group of individuals. Many members of the senior management team have significant industry experience, and the Company believes that its senior management would be difficult to replace, if necessary. Because the market for qualified individuals is highly competitive, the Company may not be able to attract and retain qualified executive officers or candidates. In addition, increasing regulations on the consumer financial services industry could affect the Company s ability to attract and retain qualified executive officers. If the Company is unable to attract or retain qualified executive officers, it could materially adversely affect the Company s business.

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 lending 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 consumer loans. Additionally, the Company s storefront operations depend on the efficiency and reliability of the Company s point-of-sale system. A shut-down of or inability to access the facilities in which the Company s internet operations, storefront point-of-sale system 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 internet consumer loans, perform efficient storefront lending and merchandise disposition activities, provide customer service, perform collections activities, or perform other necessary business functions. Any such interruption could materially adversely affect the Company s business, prospects, results of operations and financial condition.

The Company s expansion strategy 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 for its retail services segment 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 store management personnel, the ability to access capital, the ability to obtain required government permits and licenses, the prevailing laws and regulatory environment of each state or jurisdiction in which the Company operates or seeks to operate, which are subject to change at any time, the degree of competition in new

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markets and its effect on the Company s ability to attract new customers and the ability to adapt the Company s infrastructure and systems to accommodate its growth. 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.

Future acquisitions and/or the failure to successfully integrate newly acquired businesses into the Company s operations could negatively impact the Company s performance.

The Company has historically grown through strategic acquisitions, and a key component of the Company s future strategy is to continue to pursue attractive acquisition opportunities in order to expand its product and service offerings and markets and grow its business in response to changing customer demands, regulatory environments, technologies and competitive pressures. In some circumstances, the Company may expand its offerings through the acquisition of complementary businesses, solutions or technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and the Company may not be able to successfully complete identified acquisitions. Furthermore, even if the Company successfully completes an acquisition, it may not be able to successfully assimilate and integrate the business, technologies, solutions, personnel or operations of the business that it acquires, particularly if key personnel of an acquired company decide not to work for the Company. In addition, the Company may issue equity securities to complete an acquisition, which would dilute its shareholders ownership and could adversely affect the price of the Company s common stock. Acquisitions may also involve the entry into geographic or business markets in which the Company has little or no prior experience or may expose the Company to additional material liabilities. In addition, any acquisition has the risk that the Company may not realize a return on the acquisition or the Company s investment. Consequently, the Company may not achieve anticipated benefits of the acquisitions, which could materially adversely affect the Company s business, prospects, results of operations and financial condition.

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 residents of Australia, Canada and the United Kingdom and its operations in Mexico. The Company s results of operations and certain of its intercompany balances associated with the Company s Australia, Canada, United Kingdom and Mexico loans are denominated in their respective currencies 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 the Company may record significant gains or losses on the remeasurement of intercompany balances.

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 consumer loan portfolios and in consumer demand for pre-owned merchandise such as the merchandise sold in the Company s pawnshops. An economic slowdown could result in a decreased number of consumer loans being made to customers due to higher unemployment or an increase in loan defaults in the Company s consumer loan products. During an economic slowdown, the Company could be required to tighten its underwriting standards, which would likely reduce consumer loan balances, and could face more difficulty in collecting defaulted consumer loans, 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.

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Changes in the Company s financial condition or a potential disruption in the capital markets could reduce available capital.

In the past, the Company has accessed 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 disruption or deterioration in the state of the capital markets or a negative bias toward the Company s industry by market participants. Disruptions and volatility in the capital markets may cause banks and other credit providers to restrict availability of new credit facilities and require higher pricing upon renewal of existing credit facilities. The Company s ability to obtain additional financing in the future will depend in part upon prevailing capital market conditions, and a potential disruption in the capital markets may adversely affect the Company s efforts to arrange additional financing on terms that are satisfactory to the Company. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to make future investments, take advantage of potential acquisitions or other opportunities, or respond to competitive challenges and this, in turn, could adversely affect the Company s ability to advance its strategic plans. Additionally, if the capital and credit markets experience volatility and the availability of funds is limited, third parties with whom the Company does business may incur increased costs or business disruption and this could adversely affect the Company s business relationships with such third parties.

Some of the Company s debt agreements contain financial covenants and other restrictions that may limit its ability to operate its business.

Some of the Company s debt agreements contain various restrictive covenants, compliance with which is essential to continued credit availability. These restrictive covenants, among other things, restrict the Company s ability to:

- incur additional debt;
- incur or permit certain liens to exist;
- make certain investments;
- merge or consolidate with or into, or convey, transfer, lease or dispose of all or substantially all of its assets to, another company;
- make certain dispositions;
- make certain payments; and
- engage in certain transactions with affiliates.

Some of the Company s debt agreements also require the Company to maintain certain financial ratios. The covenants and restrictions contained in the debt agreements could limit the Company s ability to fund its business, make capital expenditures, and make acquisitions or other investments in the future. Any failure to comply with any of these financial and other affirmative and negative covenants could constitute an event of default under the debt agreements, entitling the lenders to, among other things, terminate future credit availability under the agreement, and/or increase the interest rate on outstanding debt, and/or accelerate the maturity of outstanding obligations under that agreement. Any such default could materially adversely affect the Company s business, prospects, results of operations and financial condition and could impair the Company s ability to continue current operations.

Failure to satisfy the Company s debt obligations could have a material adverse effect on the Company s business.

As of December 31, 2012, the Company had $578.3 million total debt outstanding, including the Company s line of credit, senior unsecured notes and 2009 Convertible Notes as more fully described under Item 8. Financial Statements and Supplementary Data Note 13. If the Company is unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments on these debt obligations or if it is in breach of the covenants contained in the debt agreements it would default under the terms of the applicable agreement or indenture. Any such

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default could result in an acceleration of the repayment obligations to such lenders as well as the lenders under any of its other debt agreements under applicable cross default provisions. Any such default could materially adversely affect the Company s business, prospects, results of operations and financial condition and could impair the Company s ability to continue current operations.

The Company is subject to impairment risk.

At December 31, 2012, the Company had goodwill totaling $608.2 million, consisting of $397.8 million related to the retail services segment and $210.4 million related to the e-commerce segment, on its consolidated balance sheets, all of which represent assets capitalized in connection with the Company s acquisitions and business combinations. In addition, at December 31, 2012, the Company had intangible assets, net of accumulated amortization, of $36.5 million, consisting of $36.3 million related to its retail services segment and $0.2 million related to the e-commerce segment. Accounting for goodwill and intangible assets requires significant management estimates and judgment. Events may occur in the future and the Company may not realize the value of its goodwill or intangible assets. Management performs periodic reviews of the carrying values of its goodwill and intangible assets to determine whether events and circumstances indicate that an impairment in value may have occurred. A variety of factors could cause the carrying value of goodwill or an intangible asset to become impaired. Should a review indicate impairment, a write-down of the carrying value of the goodwill or intangible asset would occur, resulting in a non-cash charge, which could adversely affect the Company s results of operations and could also lead to the Company s inability to comply with certain covenants in the Company s financing documents, which could cause a default under those agreements.

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 lending 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 is subject to cyber security risks and security breaches and may incur increasing costs in an effort to minimize those risks and to respond to cyber incidents.

The Company s business involves the storage and transmission of users proprietary information, and security breaches could expose it to a risk of loss or misuse of this information, litigation, and potential liability. The Company s e-commerce segment is entirely dependent on the secure operation of its websites and systems as well as the operation of the internet generally. A number of companies have disclosed security breaches, some of which have involved intentional attacks. The Company may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber attacks. Attacks may be targeted at the Company, its customers, or both. If an actual or perceived breach of security occurs, customer and/or supplier perception of the effectiveness of the Company s security measures could be harmed and could result in the loss of customers, suppliers or both. Actual or anticipated attacks and risks may cause the Company to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third party experts and consultants.

A person who is able to circumvent the Company s security measures could misappropriate the Company s or its users proprietary information, cause interruption in its operations, damage its computers or those of its users, or otherwise damage its reputation and business. Any compromise of security could result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to the Company s reputation, and a loss of confidence in its security measures, which could harm its business.

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Most of the Company s customers provide personal information, including bank account information when applying for consumer loans. The Company relies on encryption and authentication technology licensed from third parties to provide the security and authentication to effectively secure transmission of confidential information, including customer bank account and other personal information. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in the technology used by the Company to protect transaction data being breached or compromised. Data breaches can also occur as a result of non-technical issues.

The Company s servers are also vulnerable to computer viruses, physical or electronic break-ins, and similar disruptions, including denial-of-service type attacks. The Company may need to expend significant resources to protect against security breaches or to address problems caused by breaches. Security breaches, including any breach by the Company or by persons with whom it has commercial relationships that result in the unauthorized release of its users personal information, could damage its reputation and expose it to a risk of loss or litigation and possible liability.

In addition, many of the third-parties who provide products, services or support to the Company could also experience any of the above cyber risks or security breaches, which could impact the Company s customers and the Company s business and could result in a loss of customers, suppliers or revenue.

Any of these events could result in a loss of revenue and could have a material adverse effect on the Company s business, prospects, results of operations and financial condition.

Judicial decisions, CFPB rule-making or amendments to the Federal Arbitration Act could render the arbitration agreements the Company uses illegal or unenforceable.

The Company includes arbitration provisions in its consumer loan agreements. These provisions are designed to allow the Company to resolve any customer disputes through individual arbitration rather than in court and explicitly provide that all arbitrations will be conducted on an individual and not on a class basis. The Company s arbitration agreements do not generally have any impact on regulatory enforcement proceedings.

The Company takes the position that the arbitration provisions in its consumer loan agreements are valid and enforceable; however, the enforceability of arbitration provisions is often challenged in court. If those challenges are successful, the Company s arbitration and class action waiver provisions could be unenforceable, which could subject the Company to additional litigation, including additional class action litigation.

In addition, the U.S. Congress has considered legislation that would generally limit or prohibit mandatory arbitration agreements in consumer contracts and has enacted legislation with such a prohibition with respect to certain mortgage loan agreements and also certain consumer loan agreements to members of the military on active duty and their dependents. Further, the Dodd-Frank Act directs the CFPB to study consumer arbitration and report to the U.S. Congress, and it authorizes the CFPB to adopt rules limiting or prohibiting consumer arbitration, consistent with the results of its study. Any such rule would apply to arbitration agreements entered into more than six months after the final rule becomes effective (and not to prior arbitration agreements).

Any judicial decisions, legislation or other rules or regulations that impair the Company s ability to enter into and enforce consumer arbitration agreements and class action waivers could significantly increase the Company s exposure to class action litigation as well as litigation in plaintiff-friendly jurisdictions. Such litigation would be costly and could have a material adverse effect on the Company s business, results of operations and financial condition.

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The Company s operations could be subject to natural disasters and other business disruptions, which could adversely impact its future revenue and financial condition and increase its costs and expenses.

The Company s services, operations and pawnshops from which it provides its products and services are vulnerable to damage or interruption from tornadoes, hurricanes, earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors and similar events. A significant natural disaster, such as a tornado, hurricane, earthquake, fire or flood, could have a material adverse impact on the Company s business and the Company s insurance coverage may be insufficient to compensate the Company for losses that may occur. Acts of terrorism, civil unrest or violence could cause disruptions to the Company s business or the economy as a whole. More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the U.S. economy and worldwide financial markets. Any of these occurrences could have a material adverse effect on the Company s business, prospects, results of operations and financial condition.

The Company may incur property, casualty or other losses not covered by insurance.

The Company maintains a program of insurance coverage for various types of property, casualty and other risks. The types and amounts of insurance that the Company obtains vary from time to time, depending on availability, cost and management s decisions with respect to risk retention. The policies are subject to deductibles and exclusions that result in the Company s retention of a level of risk on a self-insurance basis. Losses not covered by insurance could be substantial and may increase the Company s expenses, which could harm the Company s results of operations and financial condition.

The Company s reported results could be adversely affected by the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements.

The Company prepares its financial statements in accordance with generally accepted accounting principles in the United States (GAAP), and GAAP and its interpretations are subject to change over time. If new rules or interpretations of existing rules require the Company to change its financial reporting, the Company s results of operations and financial condition could be materially adversely affected, and the Company could be required to restate historical financial reporting.

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 or real property taxes could result in an increase in store lease costs as the Company opens new locations and renews leases for existing locations.

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

Risks Related to the Company s Common Stock

The price of the Company s common stock has been volatile and could continue to fluctuate substantially.

The Company s common stock is traded on the New York Stock Exchange. The market price of the Company s common stock has been volatile and could fluctuate substantially based on a variety of factors, including the following:

- variations in results of operations;
- legislative or regulatory changes, and in particular, legislative or regulatory changes affecting the Company s consumer loan operations;
- fluctuations in commodity prices;
- general trends in the industry;
- market conditions;

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- analysts estimates; and
- perceptions of and other events related to the consumer loan industry.

The market price for the Company s common stock has varied between a high of $49.42 on March 28, 2012 and a low of $34.21 on November 16, 2012 in the twelve-month period ended December 31, 2012. The Company s stock price is likely to continue to be volatile and subject to significant price and volume fluctuations in response to market and other factors, including the other factors discussed in Risks Related to the Company s Business and Industry, variations in the Company s quarterly operating results from management s expectations or those of securities analysts or investors, downward revisions in securities analysts estimates and announcements by the Company or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments.

In addition, the stock market in general may experience significant volatility that is unrelated to the operating performance of companies whose shares are traded. These market fluctuations could adversely affect the trading price of the Company s common stock, regardless of the Company s actual operating performance.

Future issuances of additional shares of the Company s common stock could cause dilution of ownership interests and adversely affect the Company s stock price.

The Company may, in the future, issue its previously authorized and unissued shares of common stock, including the potential issuance of shares of common stock upon conversion of the 2009 Convertible Notes (as more fully described under Item 8. Financial Statements and Supplementary Data Note 13), resulting in the dilution of the ownership interests of the Company s shareholders. The Company is currently authorized to issue up to 80,000,000 shares of common stock, par value $0.10 per share, and as of February 19, 2013, the Company had 28,811,280 shares of common stock issued and outstanding. The potential issuance of additional shares of common stock may create downward pressure on the trading price of the Company s common stock. The Company may also issue additional shares of its common stock or other securities that are convertible into or exercisable for common stock for capital-raising or other business purposes. Future sales of substantial amounts of common stock, or the perception that sales could occur, could have a material adverse effect on the price of the Company s common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

The Company s headquarters that serve both the retail services and e-commerce segments, which the Company owns, are located in a nine-story office building adjacent to downtown Fort Worth, Texas. In addition, the Company has other corporate locations in Fort Worth, Texas and Cincinnati, Ohio that are used for both its retail services and e-commerce segment. Corporate locations in Chicago and Gurnee, Illinois are used in the Company s e-commerce segment, and a corporate location in Mexico City, Mexico is used in its retail services segment. These properties and substantially all of the Company s retail services locations are leased under non-cancelable operating leases with initial lease periods of one to 23 years that serve its retail services segment. In addition, as of December 31, 2012, the Company owned the real estate and buildings for 12 of its retail services locations.

In the table below, as of December 31, 2012, the retail services segment locations column includes the number of domestic and foreign Company-owned retail services locations that serve the Company s retail services segment and the e-commerce column includes the states in the United States and other foreign countries where the Company s e-commerce segment operates.

	Retail Services Segment Locations	E-Commerce Segment
United States:		
Alabama	9	Y
Alaska	6	Y
Arizona	37	-
California	23	Y
Colorado	5	-
Delaware	-	Y
Florida	75	Y
Georgia	17	-
Hawaii	-	Y
Idaho	-	Y
Illinois	25	Y
Indiana	37	-
Kansas	-	Y
Kentucky	22	-
Louisiana	24	Y
Maine	-	Y
Maryland	-	Y
Michigan	10	Y
Minnesota	-	Y
Mississippi	-	Y
Missouri	17	Y
Nevada	28	Y
New Mexico	-	Y
North Carolina	16	-
North Dakota	-	Y
Ohio	120	Y
Oklahoma	15	Y
Oregon	-	Y
Rhode Island	-	Y
South Carolina	6	Y
South Dakota	-	Y
Tennessee	41	Y
Texas	257	Y
Utah	7	Y
Virginia	-	Y
Washington	34	Y
Wisconsin	-	Y
Wyoming	-	Y
Total U.S.	831	-
Number of U.S. states	22	32

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United Kingdom	-	Y
Australia	-	Y
Canada	-	Y
Mexico	47	Y
Total Foreign	47	-
Number of Foreign Countries	1	4
Total Company	**878**	**36**

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 retail services locations 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 15.

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 short-term loans in Georgia in violation of Georgia s usury law, the Georgia Industrial Loan Act and Georgia s Racketeer Influenced and Corrupt Organizations Act (RICO). First National Bank of Brookings, South Dakota (FNB) and Community State Bank of Milbank, South Dakota (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 FNB and CSB s involvement in the process is a mere subterfuge. Based on this claim, the suit alleges that Cash America was the de facto lender and was illegally operating in Georgia. The complaint seeks unspecified compensatory damages, attorney s fees, punitive damages and the trebling of any compensatory damages. In November 2009 the case was certified as a class action lawsuit. In August 2011, Cash America filed a motion for summary judgment, and in October 2011, the plaintiffs filed a cross-motion for partial summary judgment. Hearings on the motions were held in October and November 2011, and the trial court entered an order granting summary judgment in favor of Cash America on one of the plaintiff s claims, denying the remainder of Cash America s motion and granting the plaintiff s cross-motion for partial summary judgment. Cash America filed a notice of appeal with the Georgia Court of Appeals in December 2011 on the grant of plaintiff s partial summary judgment, and on November 6, 2012, the Georgia Court of Appeals reversed the trial court s grant of partial summary judgment to plaintiffs and affirmed the trial court s denial of Cash America s motion for summary judgment. Cash America filed a Petition for Certiorari with the Supreme Court of Georgia to appeal the decision of the Georgia Court of Appeals regarding Cash America s motion for summary judgment on November 26, 2012, which was denied on February 18, 2013. The Company is currently unable to estimate a range of reasonably possible losses, as defined by ASC 450-20-20, *Contingencies Loss Contingencies Glossary*, for this litigation. Cash America believes that the Plaintiffs claims in this suit are without merit and is vigorously defending this lawsuit.

The Company is also a defendant in certain routine litigation matters 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 is not expected to have a material adverse effect on the Company s financial position, results of operations or liquidity.

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ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED SHAREHOLDER 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 the Company s common stock, par value $0.10 per share, is traded under the symbol CSH . There were 534 shareholders of record (not including individual participants in security listings) as of February 19, 2013. The high and low sales prices of common stock as quoted on the New York Stock Exchange and cash dividends declared per share during 2012 and 2011 were as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2012				
High	**$ 49.42**	**$ 48.69**	**$ 46.06**	**$ 40.92**
Low	**40.02**	**40.35**	**34.85**	**34.21**
Cash dividend declared per share	**0.035**	**0.035**	**0.035**	**0.035**
2011				
High	$ 46.05	$ 58.32	$ 62.33	$ 57.74
Low	36.65	42.49	48.86	45.00
Cash dividend declared per share	0.035	0.035	0.035	0.035

The Company expects that comparable cash dividends will continue to be paid in the future.

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(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 2012:

Period	Total Number of Shares Purchased[(a)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan [(b)]	Maximum Number of Shares that May Yet Be Purchased Under the Plan [(b)]
January 1 to January 31	18,791	$ 40.37	-	2,065,000
February 1 to February 29	27,165	$ 44.30	-	2,065,000
March 1 to March 31	-	$ 0.00	-	2,065,000
April 1 to April 30	-	$ 0.00	-	2,065,000
May 1 to May 31	40,026	$ 43.57	40,000	2,025,000
June 1 to June 30	-	$ 0.00	-	2,025,000
July 1 to July 31	-	$ 0.00	-	2,025,000
August 1 to August 31	180,801	$ 38.51	163,746	1,861,254
September 1 to September 30	180,000	$ 39.94	180,000	1,681,254
October 1 to October 31	-	$ 0.00	-	1,681,254
November 1 to November 30	192,348	$ 37.69	192,318	1,488,936
December 1 to December 31	1,318	$ 38.40	-	1,488,936
Total	640,449	$ 39.28	576,064	

(a) Includes the following: a repurchase of 1,211 shares in January by the Company from its Nonqualified Savings Plan, which no longer permits investments in the Company s common stock; shares withheld from employees as partial tax payments for shares issued under the Company s stock-based compensation plans of 17,580, 27,141, 17,027 and 1,318 shares for the months of January, February, August and December, respectively; and the reinvestment of dividends in the Company s nonqualified deferred compensation plan for its directors, which resulted in the purchase of 24, 26, 28 and 30 shares for the months of February, May, August and November, respectively.

(b) On January 26, 2011, the Board of Directors authorized the Company s repurchase of up to a total of 2,500,000 shares of the Company s common stock (the 2011 Authorization). On January 24, 2013, the Board of Directors cancelled the 2011 Authorization and approved a new authorization to repurchase up to a total of 2,500,000 shares of the Company s common stock.

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ITEM 6. SELECTED FINANCIAL DATA

Five-Year Summary of Selected Consolidated Financial Data

(dollars in thousands, except per share data)

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Statement of Income Data [a]					
Total revenue	**$ 1,800,430**	$ 1,583,064	$ 1,337,050	$ 1,149,125	$ 1,030,794
Income from operations [b][e]	**215,915**	244,342	207,132	175,652	148,706
Income before income taxes[b][e]	**186,320**	217,526	184,513	154,716	132,803
Net income attributable to Cash America International, Inc.[c][e]	**107,470**	135,963	115,538	96,678	81,140
Net income per share:					
Basic	**$ 3.64**	$ 4.59	$ 3.90	$ 3.26	$ 2.77
Diluted[d][e]	**$ 3.42**	$ 4.25	$ 3.67	$ 3.17	$ 2.70
Dividends declared per share	**$ 0.14**	$ 0.14	$ 0.14	$ 0.14	$ 0.14
Weighted average shares:					
Basic	**29,514**	29,602	29,640	29,639	29,327
Diluted	**31,452**	31,991	31,521	30,503	30,092
Balance Sheet Data at End of Year					
Pawn loans	**$ 244,640**	$ 253,519	$ 217,402	$ 188,285	$ 168,747
Consumer loans, net [f]	**289,418**	222,778	139,377	108,789	83,850
Merchandise held for disposition, net	**167,409**	161,884	130,956	116,593	109,493
Working capital	**710,566**	644,891	491,298	414,450	313,827
Total assets	**1,818,258**	1,674,249	1,427,186	1,269,655	1,186,510
Long-term debt	**578,330**	537,291	456,704	429,183	438,154
Total equity	**990,620**	907,590	802,731	683,199	579,735
Ratio Data at End of Year					
Current ratio	**4.8 x**	4.8 x	4.8 x	4.1 x	3.1 x
Debt to equity ratio	**58.4 %**	59.2 %	56.9 %	62.8 %	75.6 %

(a) See Item 8. Financial Statements and Supplementary Data Note 3 for discussion of the Company s acquisitions in 2008, 2010, 2011 and 2012.

(b) Income from operations and income before income taxes for 2012 include unusual items of $39.0 million, consisting of $3.9 million, $21.7 million and $13.4 million of expenses related to the withdrawal of the proposed initial public offering (IPO) of the Company s wholly-owned subsidiary, Enova International, Inc. (Enova), the reorganization of the Company s Mexico-based pawn operations (the Mexico Reorganization) and the voluntary reimbursements to Ohio customers (the Ohio Reimbursements), respectively. Excluding these unusual items, non-generally accepted accounting principles (non-GAAP) adjusted income from operations and non-GAAP adjusted income before income taxes would have been $254.9 million and $225.3 million, respectively, in 2012. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Continuing Operations Highlights for additional information about these non-GAAP measures.

(c) Net income for 2012 includes unusual items of $36.2 million, net of tax and noncontrolling interests, consisting of $2.4 million, $25.4 million and $8.4 million of expenses related to the withdrawal of the proposed Enova IPO, the Mexico Reorganization and the Ohio Reimbursements, respectively. Excluding these unusual items, non-GAAP adjusted net income would have been $143.7 million in 2012. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Continuing Operations Overview Non-GAAP Disclosure Adjusted Earnings and Adjusted Earnings Per Share for additional information about this non-GAAP measure.

(d) Diluted net income per share for 2012 includes unusual items of $1.15, net of tax and noncontrolling interests, related to the withdrawal of the proposed Enova IPO, the Mexico Reorganization and the Ohio Reimbursements. Excluding these unusual items, non-GAAP adjusted diluted earnings per share would have been $4.57 in 2012. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Continuing Operations Overview Non-GAAP Disclosure Adjusted Earnings and Adjusted Earnings Per Share for additional information about this non-GAAP measure.

(e) See Item 8. Financial Statements and Supplementary Data Notes 4, 15 and 24 for further discussion of the Mexico Reorganization, the Ohio Reimbursements and the withdrawal of the proposed Enova IPO, respectively, which occurred in 2012.

(f) Excludes loans originated by third-party lenders through the CSO programs. See Item 8. Financial Statements and Supplementary Data Notes 2 and 6 for further discussion.

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

GENERAL

Cash America International, Inc. and its subsidiaries (collectively, the Company) provides specialty financial services to individuals through retail services locations and e-commerce activities.

The Company offers secured non-recourse loans, commonly referred to as pawn loans. Pawn loans are short-term loans (generally 30 to 90 days) made on the pledge of tangible personal property. Pawn loan fees and service charges revenue is generated from the Company s pawn loan portfolio. A related activity of the pawn lending operations is the disposition of collateral from unredeemed pawn loans and the liquidation of a smaller volume of merchandise purchased directly from customers or from third parties.

The Company originates, guarantees or purchases consumer loans (collectively referred to as consumer loans throughout this discussion). Consumer loans provide customers with cash, typically in exchange for an obligation to repay the amount advanced plus fees and any applicable interest. Consumer loans include short-term loans (commonly referred to as payday loans), line of credit accounts and installment loans.

Short-term loans include unsecured short-term loans written by the Company or by a third-party lender through the Company s credit services organization programs (CSO programs as further described below) that the Company guarantees. Line of credit accounts include draws made through the Company s line of credit product, and, from 2008 through October 2010, included micro line of credit (MLOC) receivables, which are participation interests in receivables acquired from a third-party lender in connection with MLOC services the Company offered. Installment loans are longer-term multi-payment loans that generally require the pay-down of portions of the outstanding principal balance in multiple installments and include unsecured loans and auto equity loans, which are secured by a customer s vehicle, that are written by the Company or by a third-party lender through the Company s CSO programs that the Company guarantees. The Company offers consumer loans over the Internet under the names CashNetUSA and NetCredit in the United States, under the names QuickQuid and Pounds to Pocket in the United Kingdom ar under the name DollarsDirect in Australia and Canada. The Company also offers a line of credit product, which is similar to the MLOC product for which the Company previously provided services, under the name Debit Plus in Mexico.

Through the Company s CSO programs the Company provides services related to a third-party lender s consumer loan products in some markets by acting as a credit services organization or credit access business on behalf of consumers in accordance with applicable state laws. Services offered under the CSO programs include credit-related services such as arranging loans with independent third-party lenders and assisting in the preparation of loan applications and loan documents (CSO loans). Under the CSO programs, the Company guarantees consumer loan payment obligations to the third-party lender in the event that the customer defaults on the loan. CSO loans are not included in the Company s financial statements, but the Company has established a liability for the estimated losses in support of the guarantee on these loans in its consolidated balance sheets.

In addition, the Company provides check cashing and other ancillary services through many of its retail services locations and through its franchised check cashing centers. The ancillary services provided mainly include money orders, wire transfers, prepaid debit cards, tax filing services and auto insurance. Most of these ancillary services are provided through third-party vendors.

The Company has two reportable operating segments: retail services and e-commerce. The retail services segment includes all of the operations of the Company s Retail Services Division, which is composed of both domestic and foreign storefront locations that offer some or all of the following services: pawn loans, consumer loans, the purchase and sale of merchandise, check cashing and other ancillary services such as money orders, wire transfers, prepaid debit cards, tax filing services and auto insurance. Most of these ancillary services offered in the retail services segment are provided through third-party vendors. See Recent Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest section below for information related to the reorganization of the Company s Mexico-based pawn operations during 2012, which are included in the retail services segment. The e-commerce segment includes the operations of the Company s E-Commerce Division, which is composed of the Company s domestic and foreign online lending channels through which the Company offers consumer loans.

During the first quarter of 2012, the Company changed the presentation of its operating segment information to report corporate operations separately from its retail services and e-commerce segment information. Corporate administrative expense, which was previously allocated to each segment based on personnel expense, is included under the Corporate heading in the tables throughout the Management s Discussion and Analysis of Financial Condition and Results of Operations. For comparison purposes, operations and administration expenses for prior years have been conformed to the current presentation. Corporate operations primarily include corporate expenses, such as legal, occupancy, and other costs related to corporate service functions, such as executive oversight, insurance and risk management, public and government relations, internal audit, treasury, payroll, compliance and licensing, finance, accounting, tax and information systems (except for online lending systems, which are included in the e-commerce segment). Corporate income includes miscellaneous income not directly attributable to the Company s segments. Corporate assets primarily include: corporate property and equipment, nonqualified savings plan assets, marketable securities, foreign exchange forward contracts and prepaid insurance.

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Retail Services Segment

The following table sets forth the number of domestic and foreign Company-owned and franchised locations in the Company s retail services segment offering pawn lending, consumer lending, and other services as of December 31, 2012, 2011 and 2010. The Company s domestic retail services locations operate under the names Cash America Pawn, SuperPawn, Cash America Payday Advance, Cashland and Mr. Payroll. In addition, certain recently acquired domestic retail services locations operate under various names that are expected to be changed to Cash America Pawn or SuperPawn during 2013. In January 2013, the Company s foreign retail services locations began operating exclusively under the name Cash America casa de empeño (and previously operated under the name Prenda Fácil).

	As of December 31,								
	2012			2011			2010		
	Domestic[a]	**Foreign**	Total	Domestic[a][b]	Foreign	Total	Domestic[a][b]	Foreign	Total
Retail services locations offering:									
Both pawn and consumer lending	**581**	**-**	**581**	572	-	572	567	-	567
Pawn lending only	**167**	**47**	**214**	126	190	316	124	180	304
Consumer lending only	**83**	**-**	**83**	86	-	86	88	-	88
Other [c]	**91**	**-**	**91**	110	-	110	122	-	122
Total retail services	**922**	**47**	**969**	894	190	1,084	901	180	1,081

(a) Except as described in (c) below, includes locations that operate in 22 states in the United States as of December 31, 2012, and 23 states as of both December 31, 2011 and 2010. In 2011, includes five retail services locations that the Company operated under management agreements with a former franchisee.

(b) Includes unconsolidated franchised locations as follows: one location operating under the name Cash America Pawn as of December 31, 2011, and nine locations operating under the names Cash America Pawn and SuperPawn as of December 31, 2010.

(c) As of December 31, 2012, 2011 and 2010, includes zero, six and six consolidated Company-owned check cashing locations and 91, 104 and 116 unconsolidated franchised check cashing locations, respectively. As of December 31, 2012, 2011 and 2010, includes locations that operate in 15, 18 and 17 states in the United States, respectively.

E-Commerce Segment

As of December 31, 2012, 2011 and 2010, the Company s e-commerce segment operated in 32 states in the United States and in three other foreign countries:

in the United States at http://www.cashnetusa.com and http://www.netcredit.com,
in the United Kingdom at http://www.quickquid.co.uk and http://www.poundstopocket.co.uk,
in Australia at http://www.dollarsdirect.com.au, and
in Canada at http://www.dollarsdirect.ca.

As of December 31, 2012, the Company also offered a line of credit product in Mexico, which is similar to the MLOC product for which the Company previously provided services, under the trade name Debit Plus.

The Company s internet websites and the information contained therein or connected thereto are not intended to be incorporated by reference into this the Annual Report on Form 10-K.

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Recent Developments

Business Developments

Newly Appointed Chief Executive Officer of E-Commerce Division

On January 29, 2013, David A. Fisher was appointed Chief Executive Officer of Enova International, Inc. (Enova), a wholly-owned subsidiary of the Company that comprises its e-commerce segment (which includes the operations of the E-Commerce Division). Mr. Fisher will succeed Timothy S. Ho as the senior executive officer of Enova, who will step down as the President of Enova on March 29, 2013.

Voluntary Reimbursements to Ohio Customers

On December 4, 2012, the Company announced a voluntary program to fully reimburse approximately 14,000 Ohio customers for all funds collected, plus interest accrued from the date collected, in connection with legal collections proceedings initiated by the Company in Ohio from January 1, 2008 through December 4, 2012 (the Ohio Reimbursements). In 2012, the Company determined that a small number of employees did not prepare certain court documents in many of its Ohio legal collections proceedings in accordance with court rules. In connection with the reimbursement program, for all trial court collections proceedings filed by the Company in Ohio from January 1, 2008 through December 4, 2012, with the exception of one appellate matter, the Company is in the process of filing dismissals, terminating all existing post-judgment collections activities, and requesting to vacate each judgment entered and/or notifying credit reporting bureaus of the vacated judgments, as necessary, for each case.

The Company estimates the cost of the reimbursement program and related expenses will be approximately $13.4 million before taxes and has recorded this amount in Accounts payable and accrued expenses in the consolidated balance sheets and in Operations and administration expense in the consolidated statements of income for the year ended December 31, 2012.

Acquisition of Nine-Store Chain of Pawn Lending Locations in Arizona

On October 8, 2012, the Company s wholly-owned subsidiary, Cash America, Inc. of Nevada, entered into an agreement to acquire substantially all of the assets of a nine-store chain of pawn lending locations in Arizona owned by Ca$h Corporation, Pawn Corp #1, Inc., Pawncorp #2, Inc. and Pawncorp #4, Inc. The aggregate cash consideration paid in 2012 for this transaction, which was funded with borrowings under the Company s line of credit, was approximately $15.4 million. The closing for the transaction occurred on October 25, 2012. The Company incurred an immaterial amount of acquisition costs related to the acquisition. The goodwill of $7.7 million arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and these pawn lending locations. The activities and goodwill related to this acquisition are included in the results of the Company s retail services segment.

Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest

On September 24, 2012, the Company s Board of Directors approved a plan to significantly modify the business plan and strategy of the Company s Mexico-based pawn operations, which comprise the foreign component of its retail services segment. The Company reorganized these operations to include only full-service pawn locations that offer pawn loans based on the pledge of general merchandise and jewelry-based collateral and discontinued the operations of 148 of its Mexico-based pawn locations that primarily offered pawn loans based on the pledge of jewelry-based collateral (the Mexico Reorganization). The Mexico Reorganization was substantially completed as of December 31, 2012. As of December 31, 2012, the Company was operating 47 full-service pawn locations in Mexico. The Mexico Reorganization reflects management s decision to modify its strategy in Mexico to achieve profitability in its Mexico-based pawn operations and to evaluate the potential to expand its services to customers in Latin American markets.

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In connection with the Mexico Reorganization, the Company incurred charges for employee termination costs, lease termination costs, asset impairments, loss on sale of assets, the recognition of a deferred tax asset valuation allowance, uncollectible receivables and other charges. The Company recognized $28.9 million of charges related to the Mexico Reorganization during the year ended December 31, 2012.

The following table summarizes the charges recognized for the year ended December 31, 2012 related to the Mexico Reorganization (dollars in thousands):

Type of expense	Description	Amount
Depreciation and amortization expenses	Impairment and losses on property and equipment	$ 7,478
Provision for income taxes	Deferred tax asset valuation allowance	7,161
Depreciation and amortization expenses	Impairment of intangible assets	5,086
Operations and administration expenses	Employee termination costs	2,424
Operations and administration expenses	Inventory shrinkage and loss on sale of assets	2,395
Operations and administration expenses	Lease termination costs	1,628
Operations and administration expenses	Impairment of other assets	1,211
Operations and administration expenses	Other restructuring charges	798
Revenue	Uncollectible receivables	692
Total charges related to the Mexico Reorganization		**$ 28,873**

As of December 31, 2012, the Company s Mexico-based pawn operations were owned by Creazione Estilo, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (Creazione). Prior to September 26, 2012, the Company owned 80% of the outstanding stock of Creazione. On September 26, 2012, the Company acquired all outstanding shares of Creazione that were held by minority shareholders (approximately 20% of the outstanding shares), and, as a result, Creazione became a wholly-owned subsidiary of the Company as of that date. The Company paid approximately $5.6 million in cash and released the minority shareholders from certain contingent obligations estimated at approximately $2.8 million. The Company accounted for this transaction as an acquisition of the remaining interest of a majority-owned subsidiary. The purchase resulted in a reduction to additional paid in capital of $7.7 million, representing the excess of the cash amount paid and the released contingent obligations (totaling $8.4 million) less the carrying amount of the noncontrolling interest of $0.7 million. In January 2013, the Company s remaining Mexico-based pawn operations were sold by Creazione to another wholly-owned subsidiary, CA Empeños Mexico, S. de R.L. de C.V., and began operating exclusively under the name Cash America casa de empeño. In connection with the Mexico Reorganization, the Company intends to liquidate the remaining assets of Creazione, which are insignificant, in 2013.

The Mexico Reorganization was considered a triggering event for purposes of impairment testing of the retail services segment. As a result, the Company tested goodwill, indefinite-lived intangible assets, other intangible assets and long-lived assets for impairment following the approval of the Mexico Reorganization as described below.

The Company tested goodwill for the retail services segment following the approval of the Mexico Reorganization and noted no impairment. Although no goodwill impairment was noted, there can be no assurance that future goodwill impairments will not occur. In addition, a 10% decrease in the estimated fair values of the Company s retail services segment for the assessment completed for September 2012 would not have resulted in a goodwill impairment charge.

The Company also tested indefinite-lived intangible assets and other intangible assets following the approval of the Mexico Reorganization. As a result, during the year ended December 31, 2012, the Company recognized impairment charges of $5.1 million related to indefinite-lived intangible assets and other intangible assets, which is included in Depreciation and amortization expense in the consolidated statements of income. The Company also tested property and equipment following the approval of the Mexico Reorganization. As a result, during the year ended December 31, 2012, the Company recognized impairment charges and losses on property and equipment related to its Mexico operations of $7.5 million (consisting of $6.0 million of impairment charges recognized in the third quarter of 2012 and

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$1.5 million of losses on disposition incurred in the fourth quarter of 2012), which is included in Depreciation and amortization expenses in the consolidated statements of income. The fair value measurements of intangible assets and property and equipment are considered Level 3 in the fair value hierarchy as they are based on management s judgment about future cash flows.

Acquisition of 25-Store Chain of Pawn Lending Locations in Kentucky, North Carolina and Tennessee

On September 27, 2012, the Company and three of its wholly-owned subsidiaries, Cash America, Inc. of Tennessee, Cash America, Inc. of North Carolina and Cash America, Inc. of Kentucky, entered into an agreement to acquire substantially all of the assets of a 25-store chain of pawn lending locations located in Kentucky, North Carolina, and Tennessee owned by Standon, Inc., Casa Credit, Inc., Classic Credit, Inc. and Falcon Credit, Inc. As of that date, the Company assumed the economic benefits of all of these pawnshops by operating them under management agreements that commenced on September 27, 2012, and the final agreement terminated on December 16, 2012. The aggregate cash consideration for the transaction, which was funded with borrowings under the Company s line of credit, was approximately $55.1 million, of which $52.0 million was paid in September 2012. The remaining $3.1 million of consideration was paid during the fourth quarter of 2012. The Company incurred an immaterial amount of acquisition costs related to the acquisition. The goodwill of $31.5 million arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and these pawn lending locations. The activities and goodwill related to this acquisition are included in the results of the Company s retail services segment.

Withdrawal of Proposed Initial Public Offering of Enova International, Inc.

On September 15, 2011, Enova filed a registration statement on Form S-1 (Registration Statement) with the Securities and Exchange Commission (the SEC) in connection with a proposed initial public offering (IPO) of its common stock. On July 25, 2012, Enova filed an Application for Withdrawal of Registration Statement with the SEC to withdraw its Registration Statement, together with all exhibits and amendments. The Registration Statement had not been declared effective by the SEC, and no securities have been sold in connection with the offering pursuant to the Registration Statement.

During the year ended December 31, 2012, expenses that were previously capitalized totaling $3.9 million were recognized in earnings due to the withdrawal of the Registration Statement and are included in Operations and administration expenses in the consolidated statements of income.

Recent Regulatory and Other Developments

Ohio Court Decision

On May 28, 2009, a subsidiary of the Company, Ohio Neighborhood Finance, Inc., doing business as Cashland (Cashland), filed a standard collections suit in an Elyria Municipal Court in Ohio against Rodney Scott seeking judgment against Mr. Scott in the amount of $570.16, which was the amount due under his loan agreement. Cashland s loan was offered under the Ohio Mortgage Loan Act (OMLA), which allows for interest at a rate of 25% per annum plus certain loan fees allowed by the statute. The Municipal Court held that short-term, single-payment consumer loans made by Cashland are not authorized under the OMLA, and instead should have been offered under the Ohio Short-Term Lender Law, which was passed by the Ohio legislature in 2008 for consumer loans with similar terms. Due to a cap on interest and loan fees at an amount that is less than permitted under OMLA, the Company does not offer loans under the Ohio Short-Term Lender Law.

On December 3, 2012, the Ohio Ninth District Court of Appeals affirmed the Municipal Court s ruling in a 2-1 decision. Although this court decision is only legally binding in the Ninth District of Ohio, which includes four counties in northern Ohio where Cashland operates seven stores, other Ohio courts may consider this decision.

The Company filed an appeal of the Ninth District Court s decision with the Ohio Supreme Court on January 17, 2013 because it believes that this decision is contrary to the language of the OMLA, and the Ohio Supreme Court has not yet determined whether it will hear the appeal. If the Ninth District Court s decision is upheld by the Ohio Supreme Court on appeal, the Company s Ohio operations may be adversely affected. The Company relies on the OMLA to make short-term loans in its retail services locations in Ohio, and if the Company is unable to continue making short-term loans under this law, it will have to alter its short-term loan product in Ohio.

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Delaware Legislation

In June 2012, the State of Delaware passed a bill, which took effect on January 1, 2013, to amend its short-term consumer loan law to, among other things, limit the number of loans a borrower may have in any twelve-month period and establish a statewide database to track these loans. The bill only affects the Company s short-term loan product in Delaware (and does not affect its installment loan product in that state). The impact of this bill will not have a material effect on the Company, including its consolidated revenue or operations.

Australia National Consumer Credit Protection Act Amendment

In Australia the Company acts as a finance broker, offering the lending products of unaffiliated third-party lenders, which is similar to the Company s CSO programs in the United States. In Australia, the Company follows the responsible lending guidelines under the National Consumer Credit Protection Act (2010) (the NCCPA), which has been recently amended. Part of the amendment will become effective on March 1, 2013, and the remainder will become effective on July 1, 2013. The amendment includes limitations on permissible fees charged on certain consumer loans, including consumer loans arranged by the Company. The Company is still assessing the impact of this amendment on the product offered in Australia, but the Company expects that the product will be modified as a result of this amendment, which could make the product less profitable or could eliminate the Company s ability to offer lending products in Australia. The Company may even need to exit Australia if the product cannot be modified in a way that retains its profitability in that country. If the Company has to exit Australia, it will not have a material effect on the Company, including its consolidated revenues or operations.

UK Office of Fair Trading

The Company offers consumer loans over the internet in the United Kingdom where the Company must follow the Irresponsible Lending Guidance of the Office of Fair Trading (the OFT) and the Consumer Credit Act of 1974 that was amended by the Consumer Credit Act of