UNITED COMMUNITY BANKS INC
Form S-4
April 13, 2004

Table of Contents

File No. 333-__________

As filed with the Securities and Exchange Commission on April 13, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

UNITED COMMUNITY BANKS, INC.
(Exact name of issuer as specified in its charter)

Georgia	**6712**	**58-1807304**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

United Community Banks, Inc. **Post Office Box 398, 63 Highway 515** **Blairsville, Georgia 30512** **(706) 745-2151**	**Jimmy C. Tallent** **Post Office Box 398, 63 Highway 515** **Blairsville, Georgia 30512** **(706) 745-2151**
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)	(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Richard R. Cheatham **Kilpatrick Stockton LLP** **1100 Peachtree Street, Suite 2800** **Atlanta, Georgia 30309-4530** **(404) 815-6500**	**Kathryn L. Knudson** **Powell, Goldstein, Frazer & Murphy LLP** **191 Peachtree Street, N.E.** **Atlanta, Georgia 30303** **(404) 572-6600**

Approximate date of commencement of proposed sale to the public: The exchange of Registrant s shares for shares of common stock of Fairbanco Holding Company, Inc. will take place upon consummation of the merger of Fairbanco Holding Company, Inc. into the Registrant.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities of an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration

statement for the same offering. o _

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered**	**Proposed Maximum Offering Price per Share**	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration Fee**
Common Stock, par value $1.00 per share	914,680(1)	Not Applicable	$14,146,882(2)	$1,792(2)

(1) The number of shares of United Community Banks, Inc. common stock being registered hereunder is based upon the anticipated maximum number of such shares required to consummate the proposed merger of Fairbanco Holding Company, Inc. into the Registrant. The Registrant will remove from registration by means of a post-effective amendment any shares being registered that are not issued in connection with such merger.

(2) In accordance with Rule 457(f)(2) and 457(f)(3), the registration fee is based upon (a) $16,802,672, (the maximum number of shares of common stock of Fairbanco Holding Company, Inc. that may be received by the Registrant pursuant to the merger (914,680) multiplied by the book value per share of Fairbanco Holding Company, Inc. as of December 31, 2003 ($18.37)) less (b) $2,655,790 (the amount of cash to be paid by the Registrant in the merger).

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.

Table of Contents

Proxy Statement/Prospectus

PROPOSED MERGER OF

AND

This proxy statement/prospectus is a proxy statement of Fairbanco Holding Company, Inc. and a prospectus of United Community Banks, Inc. It is furnished to shareholders of Fairbanco, in connection with the notice of special meeting of shareholders on May _, 2004 that it accompanies. At the special meeting of Fairbanco shareholders, those shareholders will be asked to vote on the merger transaction summarized in that notice and described in more detail herein.

As of , 2004, the record date for the Fairbanco shareholders meeting, there were 746,008.434 shares of common stock outstanding and entitled to vote at that meeting. Approval of the merger requires the affirmative vote of holders of a majority of those shares. Details about the proposed merger is set forth in this proxy statement/prospectus.

In connection with the merger, if approved and consummated, shares of common stock of United will be issued to shareholders of Fairbanco as part of the consideration for their shares of common stock of Fairbanco. This document is a prospectus of United with respect to such offering and issuance of United common stock. Up to an aggregate of 914,680 shares of United common stock may be issued to Fairbanco shareholders if the merger is approved and consummated, based on the exchange ratio summarized in the notice and discussed herein.

On April 28, 2004, United will complete a three-for-two split of its common stock in the form of a stock dividend. All per share figures in this proxy statement/prospectus reflect the effect of the stock split.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense. Shares of common stock of United are equity securities and are not savings accounts or deposits. An investment in shares of United common stock is not insured by the Federal Deposit Insurance Corporation or any other government agency.

The accompanying proxy statement/prospectus contains information regarding the proposed merger and the two companies participating in the merger, and the Agreement and Plan of Reorganization pursuant to which the merger would be consummated if approved. **We encourage you to read the entire document carefully. The proxy statement/prospectus also incorporates important business and financial information that is not included in or delivered with it. This business and financial information is available without charge to all Fairbanco shareholders upon written or oral request made to: Nina H. Ray, Secretary, Fairbanco Holding Company, Inc., 65 Washington Street, Fairburn, Georgia 30213, telephone number (770) 964-1551. To obtain delivery of such business and financial information before the special meeting, your request must be received no later than May , 2004.**

The date of this proxy statement/prospectus is April , 2004, and it is expected to be first mailed to shareholders on or about April , 2004.

Table of Contents

65 Washington Street
Fairburn, Georgia 30213

Notice Of Special Meeting Of Shareholders
To Be Held On May , 2004

A special meeting of shareholders of Fairbanco Holding Company, Inc. will be held on May , 2004, at 11:00 a.m., at the Green Manor Restaurant, 6400 Westbrook Street, Union City, Georgia, for the following purposes:

to consider and vote on an Agreement and Plan of Reorganization, under which Fairbanco Holding Company, Inc., a Georgia corporation, will merge with and into United Community Banks, Inc., a Georgia corporation, as more particularly described in the enclosed proxy statement/prospectus; and

to transact such other business as may properly come before the special meeting or any adjournments of the special meeting.

If Fairbanco shareholders approve the merger, Fairbanco will be merged with and into United. In connection with the merger, Fairbanco shareholders will receive in exchange for their shares of Fairbanco common stock:

1.2261 shares of United common stock; and

$3.56 in cash, without interest, for each share of Fairbanco common stock.

Approval of the merger will require the approval of the holders of at least a majority of the Fairbanco common stock entitled to vote at the special meeting. Only shareholders of record of Fairbanco common stock at the close of business on , 2004 will be entitled to vote at the special meeting or any adjournments thereof. Fairbanco s board of directors has unanimously adopted a resolution approving the merger and the merger agreement, and unanimously recommends that Fairbanco shareholders vote for the proposal to approve the merger.

On April 28, 2004, United will complete a three-for-two split of its common stock in the form of a stock dividend. All per share figures in this proxy statement/prospectus reflect the effect of the stock split.

If the merger is completed, Fairbanco shareholders who dissent with respect to the merger will be entitled to be paid the fair value of their shares of Fairbanco common stock in cash if they comply with certain statutory provisions of Article 13 of the Georgia Business Corporation Code regarding the rights of dissenting shareholders, all as more fully explained under the heading Details of the Proposed Merger Rights of Dissenting Shareholders (page 21) and in Appendix C to the attached proxy statement/prospectus.

The accompanying proxy statement/prospectus incorporates important business and financial information that is not included in or delivered with this document. This business and financial information is available without charge to all Fairbanco shareholders upon written or oral request made to: Nina H. Ray, Secretary, Fairbanco Holding Company, Inc., 65 Washington Street, Fairburn, Georgia 30213. To obtain delivery of such business and financial information before the special meeting, your request must be received no later than , 2004.

A form of proxy for use by Fairbanco shareholders is enclosed. To ensure representation at the special meeting, each Fairbanco shareholder is requested to sign, date, and return the proxy card promptly in the enclosed, stamped envelope. A previously submitted proxy may be revoked by notifying Nina H. Ray, Secretary of Fairbanco,

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in writing at the address below, or by submitting an executed, later-dated proxy prior to the special meeting to Fairbanco Holding Company, Inc., 65 Washington Street, Fairburn, Georgia 30213. A previously submitted proxy also may be revoked by attending the special meeting and requesting the right to vote in person. A properly signed and returned proxy card, if not revoked, will be voted at the special meeting in the manner specified by the duly submitted proxy.

By Order of the Board of Directors,

, 2004
Fairburn, Georgia

Robert W. Fuller, Jr.
Chairman, President and Chief Executive Officer

TABLE OF CONTENTS

	Page
QUESTIONS AND ANSWERS ABOUT THE MERGER	1
SUMMARY	3
The Companies	3
The Terms of the Merger	4
The Reasons Management of Both Companies Support the Merger	4
Shareholders Meeting	5
Record Date	5
Vote Required	5
Conditions, Termination, and Effective Date	5
Rights of Dissenting Shareholders	5
Federal Income Tax Consequences	5
Accounting Treatment	6
Opinion of Financial Advisor	6
Markets for Common Stock	6
Dividends	7
There are Some Differences in Shareholders Rights Between Fairbanco and United	7
Interests of Directors and Officers of Fairbanco in the Merger	8
Recent Developments of United	8
COMPARATIVE SHARE DATA FOR UNITED AND FAIRBANCO	9
SUMMARY CONSOLIDATED FINANCIAL INFORMATION	10
DETAILS OF THE PROPOSED MERGER	12
Background of and Reasons for the Merger	12
The Merger Agreement	13
Required Shareholder Approval	16
Expenses	16
Conduct of Business of Fairbanco Pending Closing	16
Interest of Management in the Merger	17
Comparison of the Rights of Fairbanco and United Shareholders	18
Dividends	19
Accounting Treatment	20
Resales of United Common Stock by Directors, Executive Officers and Shareholders of Fairbanco	20

Regulatory Approvals	20
Rights of Dissenting Shareholders	21
Material Federal Income Tax Consequences of the Merger and Opinion of Tax Counsel	23
Opinion of Fairbanco Financial Advisor	23
INFORMATION ABOUT UNITED COMMUNITY BANKS, INC.	29
General	29
Securities	29
Certain Provisions of United s Articles of Incorporation and Bylaws Regarding Change of Control	32
Recent Developments of United	33
INFORMATION ABOUT FAIRBANCO HOLDING COMPANY, INC.	34
Description of Business	34
Competition	34
Security Ownership	35
Selected Financial Data	37
Management s Discussion and Analysis of Financial Condition and Results of Operations	37
INTEREST OF CERTAIN PERSONS IN THE MERGER	52
LEGAL MATTERS	52
EXPERTS	52
OTHER MATTERS	52
WHERE YOU CAN FIND MORE INFORMATION	52
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE	53
A WARNING ABOUT FORWARD-LOOKING STATEMENTS	54
CONSOLIDATED FINANCIAL STATEMENTS OF FAIRBANCO	F-1

EX-5 OPINION & CONSENT OF KILPATRICK STOCKTON LLP
EX-8 OPINION/CONSENT RE: FEDERAL INCOME TAX
EX-10.1 FORM OF EMPLOYMENT AGREEMENT
EX-10.2 FORM OF TERMINATION AGREEMENT
EX-10.3 FORM OF NONCOMPETITION AGREEMENT
EX-10.4 FORM OF NONCOMPETITION AGREEMENT
EX-23.1 CONSENT OF PORTER KEADLE MOORE LLP
EX-23.2 CONSENT OF MAULDIN & JENKINS LLC
EX-23.4 CONSENT OF ALEX SHESHUNOFF & CO.

Appendix A Agreement and Plan of Reorganization
Appendix B Amendment to Agreement and Plan of Reorganization
Appendix C Georgia Dissenters Rights Statute
Appendix D Fairness Opinion

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What am I being asked to approve?

A: You are being asked to approve the Agreement and Plan of Reorganization by and between Fairbanco and United, pursuant to which Fairbanco will be merged with and into United. Approval of the merger requires the affirmative vote of more than 50% of the outstanding shares of Fairbanco common stock. **The Fairbanco board of directors has unanimously approved and adopted the Agreement and Plan of Reorganization and recommends voting FOR approval of this merger agreement.**

Q: What will I receive in the merger?

A: You will receive (a) 1.2261 shares of United common stock and (b) $3.56 in cash, without interest, for each share of Fairbanco common stock you own on the effective date of the merger. United will not issue fractional shares in the merger. Instead, you will receive a cash payment, without interest, for the value of any fraction of a share of United common stock that you would otherwise be entitled to receive based on $22.77 a share of United common stock. *For example*: If you own 100 shares of Fairbanco common stock, you will be entitled to receive 1.2261 shares of United, rounded down to the nearest whole share, and $3.56 in cash for each of your Fairbanco shares, or 122 shares of United common stock and a cash payment of $356.00. In addition, you will be entitled to $13.89 in cash for your .61 fractional share of United (.61 x $22.77) for a total cash payment of $369.89.

Q: What should I do now?

A: Indicate on the enclosed proxy card how you want to vote with respect to the proposed merger, and sign and mail the proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the meeting. If you sign and send in a proxy card but do not indicate how you want to vote, your proxy will be voted in favor of the proposal to approve and adopt the merger. A special shareholders meeting will take place at 11:00 a.m. on May , 2004 at the Green Manor Restaurant, 6400 Westbrook Street, Union City, Georgia, to vote on the merger proposal.

You may attend the special meeting and elect to vote your shares in person, rather than voting by proxy. In addition, you may withdraw your proxy up to and including the day of the special meeting by notifying Nina H. Ray, Secretary, prior to the meeting, in writing, or by submitting an executed, later-dated proxy to: Nina H. Ray, Secretary, Fairbanco Holding Company, Inc., 65 Washington Street, Fairburn, Georgia 30213.

Q: What information should I consider?

A: We encourage you to read this entire document carefully. You should also review the factors considered by each company s board of directors discussed in Details of the Proposed Merger Background of and Reasons for the Merger beginning on page 12.

Q: When is the merger expected to be completed?

A: We plan to complete the merger during the second quarter of 2004.

Q: What are the tax consequences of the merger to me?

A: We expect that the exchange of shares of Fairbanco common stock for United common stock by Fairbanco shareholders generally will be tax-free to Fairbanco shareholders for federal income tax purposes. However, Fairbanco shareholders will have to pay taxes at either capital gains or ordinary income rates, depending upon individual

circumstances, on cash received in exchange for their shares of Fairbanco common stock, or cash received in lieu of fractional shares. To review the tax consequences to Fairbanco shareholders in greater detail, see Details of the Proposed Merger Material Federal Income Tax Consequences of the Merger and Opinion of Tax Counsel beginning on page 23.

Your tax consequences will depend on your personal situation. You should consult your tax adviser for a full understanding of the tax consequences of the merger to you.

Table of Contents

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares of common stock only if you provide instructions on how to do so. Following the directions your broker provides, you should instruct your broker how to vote your shares. If you do not provide instructions to your broker, your shares will not be voted, which will have the effect of a vote against the merger.

Q: Should I send in my stock certificates now?

A: **No**. After the merger is completed, you will receive written instructions from United for exchanging your Fairbanco common stock certificates for United common stock certificates and cash.

Q: Who should I call with questions?

A: You should call Nina H. Ray, Secretary, of Fairbanco, at (770) 964-1551.

Table of Contents

SUMMARY

This summary highlights selected information from this proxy statement/prospectus regarding the proposed merger. This summary may not contain all of the information that is important to you as you consider the proposed merger and related matters. For a more complete description of the terms of the proposed merger, you should carefully read the entire proxy statement/prospectus, and the related documents to which it refers. The Agreement and Plan of Reorganization and the Amendment to the Agreement and Plan of Reorganization, which are the legal documents that govern the proposed merger, are included as Appendix A and Appendix B, respectively.

In addition, the sections entitled Where You Can Find More Information, on page 52, and Incorporation of Certain Documents By Reference, on page 53, contain references to additional sources of information about United and Fairbanco.

The Companies (see pages 29 and 34)

United Community Banks, Inc.
63 Highway 515
Blairsville, Georgia 30512
(706) 745-2151

United is the third-largest traditional bank holding company in Georgia. Headquartered in Blairsville, Georgia, substantially all of United s activities are conducted through its three wholly-owned subsidiaries, United Community Bank, a Georgia bank, United Community Bank, a North Carolina bank and United Community Bank Tennessee, a Tennessee bank. United s subsidiaries operate 20 community banks with 73 locations throughout north Georgia, metro Atlanta, coastal Georgia, western North Carolina and east Tennessee. United s banks provide customary types of banking services, such as checking accounts, savings accounts, and time deposits. They also engage in commercial and consumer lending, make secured and unsecured loans, and provide other financial services.

United also operates, as a division of its Georgia bank subsidiary, United Community Mortgage Services, a full-service retail mortgage lending operation approved as a seller/servicer for Fannie Mae and the Federal Home Mortgage Corporation, and Brintech, Inc., a New Smyrna Beach, Florida based consulting firm for the financial services industry. Brintech provides consulting, advisory and implementation services in the areas of strategic planning, profitability improvement, technology, efficiency, setwork, networking, Internet banking, website development, marketing, core processing, and telecommunications. Additionally, United provides retail brokerage services through an affiliation with a third party broker/dealer.

At December 31, 2003, United had total consolidated assets of approximately $4.1 billion, total consolidated loans of approximately $3.0 billion, total consolidated deposits of approximately $2.9 billion, and total consolidated stockholders equity of approximately $299.3 million.

Fairbanco Holding Company, Inc.
65 Washington Street
Fairburn, Georgia 30213
(770) 964-1551

Fairbanco is a thrift holding company based in Fairburn, Georgia, and is the parent company of 1st Community Bank, a full service thrift with its main office in Fairburn, Georgia. 1st Community Bank operates in five locations in Fulton, Fayette and Coweta Counties, Georgia. 1st Community Bank provides customary types of banking services such as checking accounts, savings accounts, and time deposits. It also engages in commercial and consumer lending, makes secured and unsecured loans, and provides other financial services.

At December 31, 2003, Fairbanco had total consolidated assets of approximately $192.1 million, total consolidated loans of approximately $95.1 million, total consolidated deposits of approximately $166.4 million, and total consolidated shareholders equity of approximately $13.7 million.

The Terms of the Merger (see page 12)

If the merger is approved, Fairbanco will be merged with and into United, with United being the surviving company. As a result of the merger, you will be entitled to receive:

1.2261 shares of United common stock; and

$3.56 in cash, without interest, for each share of Fairbanco common stock you own on the effective date of the merger.

You will also receive a cash payment for any United fractional shares to which you would otherwise be entitled in an amount equal to the fraction multiplied by $22.77.

Following the merger, Fairbanco s subsidiary, 1st Community Bank, will be merged with and into United Community Bank, a wholly-owned Georgia bank subsidiary of United, and United Community Bank will be the surviving bank.

The Reasons Management of Both Companies Support the Merger (see page 12)

The boards of directors of Fairbanco and United support the merger and believe that it is in the best interests of both companies, and their respective shareholders. The board of directors of Fairbanco believes the merger will permit Fairbanco shareholders to have an equity interest in a resulting financial institution that has greater financial resources and a larger shareholder base, which will increase liquidity and marketability of the equity investment of Fairbanco shareholders. The board of directors of United believes that Fairbanco provides United with an expansion opportunity into an attractive new market area. Both boards of directors also believe that the terms of the merger are fair and equitable. In addition, both boards of directors believe that following the merger, the size of the combined organization is sufficiently large to take advantage over time of significant economies of scale, but is still small enough to maintain the competitive advantages of community-oriented banks.

Shareholders Meeting

The special meeting of shareholders of Fairbanco will be held on May , 2004 at 11:00 a.m., at the Green Manor Restaurant, 6400 Westbrook Street, Union City, Georgia for the purpose of voting on approval of the merger.

Record Date (see page 16)

You are entitled to vote at the shareholders meeting if you owned shares of Fairbanco common stock on , 2004.

Vote Required (see page 16)

Approval by holders of a majority of the Fairbanco common stock outstanding on , 2004, is required to approve the merger. As of April 12, 2004, 746,008.434 shares of Fairbanco common stock were issued and outstanding, each of which is entitled to one vote per share. All of the directors and executive officers of Fairbanco and Fairbanco s largest shareholder other than the employee stock ownership plan have agreed to vote their shares in favor of the merger. There are 255,508.34 shares, or 34.3%, of Fairbanco common stock beneficially owned (excluding options) by its directors, executive officers and such shareholder entitled to vote on this merger.

Conditions, Termination, and Effective Date (see page 13)

The merger will not occur unless certain conditions are met, and United or Fairbanco can terminate the merger agreement if specified events occur or fail to occur. The merger must be approved by the Fairbanco shareholders, the Board of Governors of the Federal Reserve System, and the Department of Banking and Finance of the State of Georgia. Immediately after the merger, Fairbanco s subsidiary, 1st Community Bank, will be merged into United s Georgia bank subsidiary, United Community Bank. The bank merger must be approved by the Federal Deposit Insurance Corporation and the Department of Banking and Finance of the State of Georgia.

The closing of the merger will occur after the merger is approved by Fairbanco shareholders and the foregoing regulators and after the articles of merger are filed as required under Georgia law.

Rights of Dissenting Shareholders (see page 21)

You are entitled to dissent from the merger and to demand payment of the fair value of your Fairbanco common stock in cash if you follow certain statutory provisions regarding the rights of dissenting shareholders under Article 13 of the Georgia Business Corporation Code.

Federal Income Tax Consequences (see page 23)

Fairbanco has received an opinion from Kilpatrick Stockton LLP stating that, assuming the merger is completed as currently anticipated, Fairbanco will not recognize any gain or loss for federal income tax purposes, and shareholders of Fairbanco to the extent they receive United stock will not recognize any gain or loss for federal income tax purposes. All cash you receive as a result of the merger, including any cash you receive in lieu of fractional shares or as payment for exercising your right to dissent, will be treated as amounts distributed in redemption of your Fairbanco common stock, as the case may be, and that

amount will be taxable under the Internal Revenue Code as either ordinary income or capital gain or loss, depending upon your particular circumstances. Neither United nor Fairbanco has requested a ruling to this effect from the Internal Revenue Service.

Accounting Treatment (see page 20)

The merger will be accounted for as a purchase for financial reporting and accounting purposes.

Opinion of Financial Advisor (see page 23)

Alex Sheshunoff & Co. Investment Banking, L.P. has rendered an opinion to Fairbanco that based on and subject to the procedures, matters, and limitations described in its opinion and other matters it considered relevant, as of the date of its opinion, the terms of the merger are fair from a financial point of view to the shareholders of Fairbanco. A summary of Alex Sheshunoff & Co. s opinion begins on page and the full opinion is attached as Appendix C to this proxy statement/prospectus. Shareholders of Fairbanco are encouraged to read the opinion.

Markets for Common Stock

United s common stock began trading on the Nasdaq Stock Market on March 18, 2002 under the symbol UCBI. The following table sets forth the high and low quarterly sales prices per share of United common stock as quoted on Nasdaq since April 1, 2002. Amounts have been restated to reflect the proforma effect of United s three-for-two split effective April 28, 2004:

Fiscal Year	Quarterly Period	High	Low
2004	First Quarter	$24.62	$21.37
2003	Fourth Quarter	$23.93	$18.51
	Third Quarter	$20.02	$16.34
	Second Quarter	$18.00	$15.37
	First Quarter	$18.00	$14.67
2002	Fourth Quarter	$18.00	$14.49
	Third Quarter	$19.70	$15.43
	Second Quarter	$20.00	$15.97

On March 15, 2004, immediately prior to the public announcement of the merger, the high and low sales prices per share of United common stock were $22.39 and $21.73, respectively.

There has been no public trading market for Fairbanco common stock. We believe the last sales of Fairbanco common stock among shareholders in private transactions were in 2003 between shareholders and the Fairbanco ESOP at prices of $20 per share, based on unofficial information that Fairbanco management believes is reliable.

Table of Contents

There were 126 shareholders of record of Fairbanco common stock as of April 12, 2004.

Dividends (see page 19)

United paid a cash dividend of $.060 per share on April 1, 2004 and paid aggregate cash dividends of $.200 per share in 2003 and $.167 per share in 2002. United intends to continue paying cash dividends, but the amount and frequency of cash dividends, if any, will be determined by United s board of directors after consideration of earnings, capital requirements, and the financial condition of United, and will depend on cash dividends paid to it by its subsidiary banks. The ability of its subsidiaries to pay dividends to United is restricted by certain regulatory requirements.

Fairbanco paid aggregate cash dividends of $.320 per share in 2003 and 2002. Fairbanco is prohibited under the merger agreement from paying cash dividends prior to the closing of the transaction without the prior written consent of United.

There are Some Differences in Shareholders Rights Between Fairbanco and United (see page 18)

Following the merger you will no longer be a Fairbanco shareholder and, if you receive shares of United following the merger, your rights as a shareholder will no longer be governed by Fairbanco s articles of incorporation and bylaws. You will be a United shareholder and your rights as a United shareholder will be governed by United s articles of incorporation and bylaws. Your former rights as a Fairbanco shareholder and your new rights as a United shareholder are different in certain ways, including the following:

Fairbanco s bylaws provide for a board of directors consisting of between eight and 25 members, while United s bylaws provide for a board of directors consisting of at least seven members.

The bylaws of Fairbanco set forth different requirements for removal of directors than do the articles of incorporation and bylaws of United.

The bylaws of United provide that a special meeting may be called by a fewer number of shareholders than the bylaws of Fairbanco.

Fairbanco s bylaws incorporate the Fair Price provisions of the Georgia Business Corporation Code, but United s do not.

The articles of incorporation of United permit its board of directors to consider the interests of constituencies other than just its shareholders when considering any actions affecting United and its shareholders. Fairbanco s articles of incorporation and bylaws do not.

The articles of incorporation of United require a supermajority vote to amend its articles of incorporation and bylaws. Fairbanco s articles of incorporation and bylaws do not.

Table of Contents

Interests of Directors and Officers of Fairbanco in the Merger (see page 17)

Some of the directors and officers of Fairbanco have interests in the merger in addition to their interests as shareholders generally, including the following:

In connection with the merger, United has agreed to provide to officers and employees of Fairbanco who continue employment with United or its subsidiaries employee benefits under employee benefit plans, on terms and conditions substantially similar to those currently provided to similarly situated United officers and employees.

Also in connection with the merger, United has required that it purchase all of the outstanding options to purchase Fairbanco stock held by its officers and directors for cash of $21.27 per share, which is equal to the price per share to be received by the Fairbanco shareholders minus the exercise price for the outstanding options.

As a condition to closing the merger, the following officers of Fairbanco will terminate their employment agreements with Fairbanco for payments of approximately three times their current base salary: Robert W. Fuller, Jr., President, Chairman and Chief Executive Officer; Nina H. Ray, Executive Vice President and Chief Financial Officer; Howard V. Turner, Jr., Executive Vice President and Senior Lending Officer; and Douglas F. Fields, Senior Vice President.

As a condition to closing the merger, the directors will terminate their director agreements, which provide for retirement benefits, for a payment equal to the accrued liability to each director under the agreements as reflected on the financial statements of Fairbanco at closing.

United will continue to pay directors fees of $12,000 per year to the directors of Fairbanco who will be asked to serve as advisory board members for 1st Community Bank, which will be operated as a separate community bank of United after the merger.

Recent Developments of United (see page 33)

On April 28, 2004, United will complete a three-for-two split of its common stock in the form of a stock dividend. All per share figures in this proxy statement/prospectus reflect the effect of the stock split.

Table of Contents

COMPARATIVE SHARE DATA FOR UNITED AND FAIRBANCO

We have summarized below the per share reported results information for United and Fairbanco on a historical, pro forma combined and equivalent basis. You should read this information in conjunction with the historical financial statements (and related notes) of United in the annual and quarterly reports and other documents it has filed with the Securities and Exchange Commission, certain of which are incorporated by reference, and the historical financial statements (and related notes) of Fairbanco contained in this proxy statement/prospectus.

The pro forma combined information gives effect to the merger accounted for as a purchase, assuming all transactions contemplated in this proxy statement/prospectus had been effective for the periods indicated. Pro forma equivalent of one Fairbanco common share amounts are calculated by multiplying the pro forma combined basic and diluted earnings per share, United historical per share dividend and the pro forma combined book value by the exchange ratio of 1.2261 shares of United common stock so that the per share amounts equate to the respective values for one share of Fairbanco s common stock. The pro forma information shown below gives no effect to the cash payment of $3.56 per share that Fairbanco shareholders will receive as part of the transaction. You should not rely on the pro forma information as being indicative of the historical results that we would have had if we had been combined or of the future results that we will experience after the merger. United and Fairbanco s year-end is December 31st.

	For the Year Ended December 31, 2003(6)
Net earnings per common share (basic)	
United historical	$ 1.11
Fairbanco historical	1.91
United and Fairbanco pro forma combined(1)(2)	1.13
Fairbanco pro forma equivalent(2)	1.38
Net earnings per common share (diluted)	
United historical	$ 1.08
Fairbanco historical	1.85
United and Fairbanco pro forma combined(1)(2)	1.09
Fairbanco pro forma equivalent(2)	1.34
Cash dividends per common share	
United historical(3)	$ .200
Fairbanco historical	.320
United and Fairbanco pro forma combined(1)(4)(5)	.200
Fairbanco pro forma equivalent(4)	.245
Book value per common share (period end)	
United historical	$ 8.47
Fairbanco historical	18.37
United and Fairbanco pro forma combined(1)(4)	8.83
Fairbanco pro forma equivalent(4)	10.83

(1) Computed giving effect to the merger.

(2)

The proforma amounts presented above do not include assumed cost savings expected from elimination of duplicate back office functions. Computed based on 914,680 shares of United common stock to be issued to Fairbanco shareholders for their 746,008.434 shares at the exchange ratio of 1.2261.

(3) Represents historical dividends paid by United, and assumes United will not change its dividend policy as a result of the merger.

(4) Computed based on 914,680 shares of United common stock issued to Fairbanco shareholders for their 746,008.434 shares at the exchange ratio of 1.2261.

(5) Represents historical dividends paid per share by United multiplied by the exchange ratio of 1.2261 shares of United common stock for each share of Fairbanco common stock designated for purposes of this computation.

(6) Per share amounts presented above have been restated to reflect the three-for-two stock split effective April 28, 2004.

Table of Contents

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

We are providing the following information to help you analyze the financial aspects of the merger. We derived this information from United s and Fairbanco s audited financial statements for 1999 through 2003. This information is only a summary, and you should read it in conjunction with the historical financial statements (and related notes) of United in the annual and quarterly reports and other documents that it has filed with the Securities and Exchange Commission, certain of which are incorporated by reference, and the historical financial statements (and related notes) of Fairbanco contained in this proxy statement/prospectus.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF UNITED
(In thousands, except per share amounts)

	As Of and For the Years Ended December 31,				
	2003	**2002**	**2001**	**2000**	**1999**
GAAP Results					
Net interest revenue (taxable equivalent)	$ 138,738	$ 119,575	$ 109,162	$ 96,524	$ 80,969
Net income	38,118	32,780	27,231	14,517	16,098
Basic earnings per share(1)	1.11	1.02	.86	.47	.53
Diluted earnings per share(1)	1.08	.99	.84	.46	.52
Cash dividends declared per share(1)	.200	.167	.133	.100	.067
Book value per share(1)	8.47	6.89	5.98	4.97	3.85
Total assets	4,068,834	3,211,344	2,749,257	2,528,879	2,384,678
Basic average shares outstanding(1)	34,132	32,062	31,691	30,900	30,237
Diluted average shares outstanding(1)	35,252	33,241	32,624	31,791	31,263
Operating Results (2)					
Net income	$ 39,475	$ 32,780	$ 28,315	$ 21,747	$ 17,253
Basic earnings per share(1)	1.15	1.02	.89	.70	.57
Diluted earnings per share(1)	1.12	.99	.87	.69	.56

(1) Per share amounts and weighted average shares outstanding for periods presented above have been restated to reflect the three-for-two stock split effective April 28, 2004.

(2) Excludes pre-tax merger related and restructuring charges totaling $2.1 million, $1.6 million, $10.6 million and $1.8 million for the years ended December 31, 2003, 2001, 2000 and 1999. These charges decreased net income by $1.4 million, $1.1 million, $7.2 million and $1.2 million, and diluted earnings per share by $.04, $.03, $.23 and $.04, respectively. The following is a reconciliation of our operating results to our GAAP results:

	As Of and For the Years Ended December 31,				
	2003	**2002**	**2001**	**2000**	**1999**
Net operating income	39,475	32,780	28,315	21,747	17,253

Merger-related charges, net of tax	1,357		1,084	7,230	1,155
Net income	$38,118	$32,780	$27,231	$14,517	$16,098

Table of Contents

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF FAIRBANCO
(In thousands, except per share amounts)

	As Of and For the Years Ended December 31,				
	2003	2002	2001	2000	1999
Net interest revenue (taxable equivalent)	$ 6,718	$ 6,872	$ 6,8842	$ 6,326	$ 5,344
Net income	1,473	755	1,538	1,477	1,135
Basic earnings per share	1.91	.96	2.01	1.93	1.48
Diluted earnings per share	1.85	.93	1.96	1.89	1.45
Cash dividends declared per share[(1)]	.320	.320	.320	.320	.300
Book value per share	18.37	18.41	16.71	14.53	11.70
Total assets	192,054	193,820	176,207	148,037	118,243
Basic average shares outstanding[(1)]	771	789	764	765	765
Diluted average shares outstanding[(1)]	795	811	784	784	780

(1) Adjusted for a stock dividend on April 20, 2001.

Table of Contents

DETAILS OF THE PROPOSED MERGER

Background of and Reasons for the Merger

In the second quarter of 2003, a potential buyer contacted Fairbanco s management, asking to be considered should the company decide to evaluate its continued independence. Based on this expression of interest, management engaged Alex Sheshunoff & Co. Investment Banking, L.P. as a consultant to assist with the evaluation of the company s strategic alternatives and to conduct a process to determine if an attractive offer could be received and acceptable merger terms negotiated with a potential partner. In November 2003, five potential merger partners were contacted, and information about Fairbanco was sent to the three which expressed an interest. All parties were informed that letters of intent must be received by December 16, 2003. On this date, Fairbanco received two letters of intent. The letter of intent from United offered the best price for the shareholders. Based on this letter of intent, negotiations were instituted with United, and on March 11, 2004, the parties reached a final agreement.

Without assigning any relative or specific weights, the board of directors of Fairbanco considered the following material factors in approving the merger:

- the value of the consideration to be received by Fairbanco shareholders relative to the book value and earnings per share of Fairbanco common stock;
- information concerning the financial condition, results of operations and business prospects of United;
- the financial terms of recent business combinations in the financial services industry and a comparison of the multiples of selected combinations with the terms of the proposed transaction with United;
- the alternatives to the merger, including remaining an independent institution;
- the competition and regulatory environment for financial institutions generally;
- the fact that the merger will enable Fairbanco shareholders to exchange their shares of Fairbanco common stock, in a tax-free transaction, for shares of common stock of a larger company, the stock of which is more widely held and more liquid than that of Fairbanco; and
- the opinion of Alex Sheshunoff & Co. Investment Banking, L.P. that the consideration to be received by the shareholders as a result of the merger is fair from a financial point of view.

The board of directors of Fairbanco believes the merger is in the best interest of its shareholders because the merger will permit them to exchange their ownership in Fairbanco for cash and an equity interest in United, which has greater financial resources than Fairbanco. The board of directors of Fairbanco also believes that the terms of the merger, including the basis of exchange, $3.56 in cash and 1.2261 shares of United common stock for each share of Fairbanco common stock, which was determined through arms-length negotiations between United and Fairbanco, are fair and equitable and take into account the relative earning power of United and Fairbanco, historic and anticipated operations, the economies of scale to be achieved through the merger, the trading prices of the shares of the respective companies, and other pertinent factors.

The board of directors of Fairbanco believes that in the current regulatory and competitive environment, larger organizations with greater economies of scale, including the ability to spread largely fixed costs over a larger revenue base and the ability to attract management talent able to compete in a

more sophisticated financial services environment, will be more successful than smaller organizations. Management of United and Fairbanco believe that there is a future for community banks in the banking industry, but that community banks will be required to achieve a critical size to maintain above-average economic performance.

The Merger Agreement

The material features of the merger agreement are summarized below:

Effective Date

The merger agreement provides that the merger will be effective on the date the Certificate of Merger reflecting the proposed merger becomes effective with the Secretary of State of the State of Georgia. The merger also is subject to approval by the Board of Governors of the Federal Reserve System and the Department of Banking and Finance of the State of Georgia. Management of United and Fairbanco anticipate that the merger will become effective during the second quarter of 2004.

Terms of the Merger

As a holder of shares of Fairbanco common stock, you will receive in exchange for your shares of Fairbanco common stock owned on the effective date of the merger:

1.2261 shares of United common stock; and

$3.56 in cash, without interest, for each share of Fairbanco common stock.

United will not issue fractional shares of United common stock in connection with the merger. In lieu of issuing any fractional share of United common stock to which a Fairbanco shareholder would otherwise be entitled, United will pay in cash an amount (computed to the nearest cent) equal to that fraction multiplied by $22.77 per share.

United shareholders will continue to hold their existing shares of United common stock. If, prior to the merger closing, the outstanding shares of United common stock or Fairbanco common stock are increased through a stock dividend, stock split, subdivision, recapitalization, or reclassification of shares, or are combined into a lesser number of shares by reclassification, reverse stock split, recapitawn of the carrying value of the intangible asset would occur, resulting in a non-cash charge, which could adversely affect the Company's results of operations.

The Company depends on its senior management and may not be able to retain those employees or recruit additional qualified personnel.

The Company depends on its senior management. The loss of services of any of the members of the Company's senior management could adversely affect the Company's business until a suitable replacement can be found. There may be a limited number of persons with the requisite skills to serve in these positions, and the Company cannot ensure that it would be able to identify or employ such qualified personnel on acceptable terms.

The inability to successfully integrate acquisitions could adversely affect results.

The success of an acquisition is subject to numerous internal and external factors, such as the ability to consolidate data processing and accounting functions, the management of additional sales, administrative, operations and management personnel, overall management of a larger organization, competitive market forces, and general economic factors. Failure to successfully integrate an acquisition would have an adverse effect on the Company's

results of operations.

Adverse real estate market fluctuations and/or the inability to renew and extend store operating leases 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, thereby negatively impacting the Company's results of operations. The Company also holds certain developed and undeveloped real estate which could be impacted by adverse market fluctuations. In addition, the inability of the Company to renew, extend or replace expiring store leases could negatively impact the results of operations.

Inclement weather can adversely impact the Company's operating results.

The occurrence of weather events such as rain, cold weather, snow, wind, storms, hurricanes, or other natural disasters, adversely affecting consumer traffic and collection activities at the Company's stores could negatively impact the Company's operating results.

The Company's business may be impacted by the outbreak of certain public health issues, including epidemics, pandemics and other contagious diseases such as the H1N1 influenza.

In the event of such an outbreak, regulatory and/or public health officials could restrict store operating hours, product offerings and/or the number of customers allowed in a store at one time, which could adversely affect the Company's financial results. In addition, to the extent that the Company's customers become infected by such diseases, or feel uncomfortable visiting public locations due to a perceived risk of exposure to contagious diseases, the Company could experience a reduction in customer traffic which could adversely affect the Company's financial results.

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

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

Item 1B.   Unresolved Staff Comments

As of December 31, 2009, the Company had no unresolved SEC staff comments.

Item 2.   Properties

The Company owns the real estate and buildings for eight of its pawn stores. The Company leases 550 store locations that are currently open or are in the process of opening. Leased facilities are generally leased for a term of three to five years with one or more options to renew. The Company's existing leases expire on dates ranging between 2010 and 2019. All current store leases provide for specified periodic rental payments ranging from approximately $635 to $11,150 per month.

The Company also currently owns six other parcels of real estate. Three of the parcels are leased to a buy-here/pay-here car lot operation, one is held for sale and the remaining two parcels are being held for possible development for future pawnshop operations.

The Company currently leases approximately 19,500 square feet of office space in Arlington, Texas for its corporate offices. The lease, which expires May 31, 2015, currently provides for monthly rental payments of approximately $26,000. The Company leases approximately 16,500 square feet of office space in Monterrey, Mexico for its Mexico administrative offices. The lease, which expires May 31, 2014, currently provides for monthly rental payments of

approximately $4,000. The Company also leases approximately 12,000 square feet of office space in Euless, Texas for its short-term loan collections and internet-based credit services operations. The lease, which expires February 28, 2013, currently provides for monthly rental payments of approximately $6,200.

The Company's 50% owned joint venture, Cash & Go, Ltd., leases its kiosk locations under operating leases generally with terms ranging from one to five years, with renewal options for certain locations. The joint venture's existing leases expire on dates ranging between 2010 and 2014. All current Cash & Go, Ltd. leases provide for specified periodic rental payments ranging from approximately $1,300 to $1,900 per month.

Most leases require the Company to maintain the property and pay the cost of insurance and property taxes. The Company believes that termination of any particular lease would not have a materially adverse effect on the Company's operations. The Company's strategy is generally to lease, rather than purchase, space for its pawnshop and short-term loan locations, unless the Company finds what it believes is a superior location at an attractive price. The Company believes that the facilities currently owned and leased by it as pawn stores and short-term loan stores are suitable for such purposes. The Company considers its equipment, furniture and fixtures to be in good condition.

Item 3. Legal Proceedings

The Company is from time to time a defendant (actual or threatened) in certain lawsuits and arbitration claims encountered in the ordinary course of its business, the resolution of which, in the opinion of management, should not have a materially adverse effect on the Company's financial position, results of operations, or cash flows.

Item 4. Reserved

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

General Market Information

The Company's common stock is quoted on the Nasdaq Global Select Market under the symbol "FCFS." The following table sets forth the quarterly high and low closing sales prices per share for the common stock, as reported by the Nasdaq Global Select Market:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2009				
High	$ 19.21	$ 18.01	$ 19.48	$ 22.68
Low	11.34	14.33	16.50	17.10
2008				
High	$ 14.16	$ 16.88	$ 19.89	$ 19.06
Low	7.54	11.21	14.73	12.30

On March 11, 2010, the closing sales price for the common stock as reported by the Nasdaq Global Select Market was $21.96 per share. On March 11, 2010, there were approximately 59 stockholders of record of the common stock.

No cash dividends have been paid by the Company on its common stock. The dividend and earnings retention policies are reviewed by the Board of Directors of the Company from time to time in light of, among other things, the Company's earnings, cash flows, and financial position. The Company's revolving credit facility contains provisions

that allow the Company to pay cash dividends within certain parameters.

Recent Issuances of Common Stock

During the period from January 1, 2009 through December 31, 2009, the Company issued 286,000 shares of common stock relating to the exercise of outstanding stock options for an aggregate exercise price of $2,541,000 (including income tax benefit). During the period from January 1, 2009 through December 31, 2009, the Company issued 312,000 shares of common stock relating to the exercise of outstanding stock warrants for an aggregate exercise price of $2,337,000 (including income tax benefit). During 2008, the Company granted a total of 15,000 shares of restricted stock to the outside directors of the Company and these shares were issued upon satisfaction of appropriate vesting requirements in 2009. The issuance of these stock options, warrants and restricted stock to officers and employees was exempt under Section 4(2) of the Act, and all holders had access to and/or reviewed copies of Exchange Act filings. No sales commissions were paid with respect to these issuances.

Issuer Purchases of Equity Securities

In March 2008, the Company's Board of Directors authorized an amendment to the 2007-authorized program which allows the Company to repurchase up to 3,000,000 shares of its common stock. There are 1,360,000 total remaining shares available for repurchase under the currently authorized plan. Under this share repurchase program, the Company can purchase common stock on the open market or in privately negotiated transactions with independent third-parties. The number of shares to be purchased and the timing of the purchases are based on the level of cash balances, available credit facilities, general business conditions and other factors, including alternative investment opportunities. No time limit was set for completion of repurchases under the original or amended authorization. During the twelve months ended December 31, 2009, the Company did not repurchase any shares of common stock.

Performance Graph

The Stock Price Performance Graph set forth below compares the cumulative total stockholder return on the common stock of the Company for the period from December 31, 2004 through December 31, 2009, with the cumulative total return on the Nasdaq Composite Index and a peer group index (whose returns are weighted according to their respective market capitalizations) over the same period (assuming the investment of $100 in the Company's common stock, the Nasdaq Composite Index, and the peer group). The 2009 peer group selected by the Company includes Cash America International, Inc., EZCORP, Inc., World Acceptance Corporation, Rent-A-Center, Inc., and Aaron Rents, Inc.

Item 6. Selected Financial Data

The information below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 and the Company's Consolidated Financial Statements and related notes thereto required by Item 8. The information below has been audited for balance sheet dates December 31, 2009 and 2008 and statement of operations for the years ending December 31, 2009, 2008 and 2007.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(in thousands, except per share amounts and certain operating data)				
Income Statement Data:					
Total revenue	$ 365,954	$ 320,639	$ 267,062	$ 225,159	$ 188,715
Cost of revenue	152,474	127,910	104,764	86,224	72,486
Net revenue	213,480	192,729	162,298	138,935	116,229
Total expenses and other income	146,626	134,098	116,536	100,971	84,175
Income from continuing operations before income taxes	66,854	58,631	45,762	37,964	32,054
Provision for income taxes	25,003	21,783	16,657	13,667	11,551
Income from continuing operations	41,851	36,848	29,105	24,297	20,503
Income (loss) from discontinued operations, net of tax	7,913	(58,384)	6,183	7,447	4,880

Net income (loss)	$ 49,764	$ (21,536)	$ 35,288	$ 31,744	$ 25,383
Net income per share:					
Basic:					
Income from continuing operations	$ 1.42	$ 1.24	$ 0.92	$ 0.77	$ 0.65
Net income (loss)	1.68	(0.73)	1.12	1.01	0.81
Diluted:					
Income from continuing operations	1.39	1.22	0.89	0.74	0.61
Net income (loss)	1.65	(0.71)	1.08	0.97	0.76
Balance Sheet Data:					
Working capital	$ 101,295	$ 95,577	$ 121,750	$ 93,653	$ 93,506
Total assets	256,285	265,343	291,548	233,842	185,954
Long-term liabilities	8,555	78,075	69,291	23,485	8,616
Total liabilities	43,846	110,893	90,339	45,246	23,246
Stockholders' equity	212,439	154,450	201,209	188,596	162,708
End of Year Location Counts:					
Pawn stores (1)	383	320	276	252	226
Credit services/short-term loan stores					
(excluding Cash & Go, Ltd.) (1)	163	162	141	101	71
	546	482	417	353	297

(1) Includes locations where short-term loans are provided through the CSO program.

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

General

The Company generates most of its revenue from its pawn store operations, as they produced 85% of the Company's revenue during fiscal 2009. The Company's pawn revenue is derived primarily from service fees on pawns and merchandise sales of forfeited pawn collateral and used goods purchased directly from the general public. The Company accrues pawn service charge revenue on a constant-yield basis over the life of the pawn loan for all pawns that the Company deems collection to be probable based on historical pawn redemption statistics. If a pawn loan is not repaid prior to the expiration of the automatic extension period, if applicable, the property is forfeited to the Company and transferred to inventory at a value equal to the principal amount of the loan, exclusive of accrued interest.

The Company also offers a fee-based credit services organization program ("CSO program") to assist consumers, primarily in Texas markets, in obtaining credit. The Company's credit services fees contributed approximately 12% of fiscal 2009 consolidated revenue. Under the CSO program, the Company assists customers in applying for a short-term loan from an independent, non-bank, consumer lending company (the "Independent Lender") and issues the Independent Lender a letter of credit to guarantee the repayment of the loan. The Company recognizes credit services

fees ratably over the life of the loan made by the Independent Lender. The loans made by the Independent Lender to credit services customers of the Company have terms of 7 to 180 days. The Company records a liability for the estimated fair value of the liability under the letters of credit. The credit loss provision is based primarily upon historical credit loss experience, with consideration given to recent credit loss trends, delinquency rates, economic conditions and management's expectations of future credit losses. See additional discussion of the credit loss provision, and related allowances/accruals, in the section titled Results of Continuing Operations.

The Company's short-term consumer loan revenue is approximately 3% of fiscal 2009 consolidated revenue, which is derived primarily from fees on short-term loans. The Company recognizes service fee income on short-term loans on a constant-yield basis over the life of the loan, which is generally 31 days or less. The net defaults on short-term loans and changes in the short-term loan valuation reserve are charged to the short-term loan loss provision. The credit loss provision is based primarily upon historical credit loss experience, with consideration given to recent credit loss trends, delinquency rates, economic conditions and management's expectations of future credit losses. See additional discussion of the credit loss provision, and related allowances/accruals, in the section titled Results of Continuing Operations.

In December 2009, the Company reached an agreement to sell its payday lending and check cashing operations located in California, Washington and Oregon ("West Coast stores"). The Company elected to discontinue its short-term loan operations in Michigan effective March 2009. In addition, certain Texas short-term loan/credit services stores were classified as discontinued operations in both the first and second quarters of 2009. The Company discontinued its Auto Master buy-here/pay-here operation, effective September 2008. The Company discontinued its short-term loan operations in the Washington, D.C. market, effective December 2007. See discussion of discontinued operations below and in Note 5 of Notes to Consolidated Financial Statements. Effective in January 2010, the Company discontinued its payday lending product offered in its three pawn stores located in Oklahoma. The Company generated revenues of approximately $20,000 from payday loan products in these stores during fiscal 2009.

The following table details selected operating metrics regarding the Company's loan products, inventories, and store locations:

	Year Ended December 31,		
	2009	2008	2007
Pawn receivable balances at end of period, in thousands:			
Pawn stores - U.S.	$ 31,277	$ 26,098	$ 24,738
Pawn stores - Mexico	22,412	18,048	16,516
Short-term loan stores - U.S.	-	2	9
Short-term loan stores - Mexico	30	22	22
Short-term loan receivables and CSO short-term loans at end of period, in thousands (4):			
Pawn stores - U.S.	$ 2,848	$ 2,717	$ 3,217
Short-term loan stores - U.S.	10,654	10,438	12,619
Short-term loan stores - Mexico	933	700	314
Internet operations - U.S.	1,216	1,010	-
Cash & Go, Ltd. joint venture kiosks - U.S.	1,338	1,383	1,603
Pawn store inventories at end of period, in thousands:	$ 34,437	$ 28,738	$ 26,870
Pawn store annualized inventory turnover:	4.3x	3.8x	3.4x
Annualized service/finance fee yield (2):			

Pawn receivables	159%	157%	157%
Short-term loan receivables, net of credit loss provision	366%	334%	389%
Net short-term loan and credit services loss provision as a percentage of service fees (1):	26%	28%	28%
Average receivables and CSO loan balances per location at end of period, in thousands:			
Pawn receivables in pawn stores - U.S.	$ 322	$ 278	$ 263
Pawn receivables in pawn stores - Mexico	78	80	91
Short-term loans in pawn stores - U.S. (65, 64 and 65 stores, respectively) (3)	44	42	49
Short-term loans in short-term loan stores - U.S. (excluding Cash & Go, Ltd.) (120, 119 and 116 stores, respectively) (3)	89	88	109
Short-term loans in short-term loan stores - Mexico (43, 43 and 25 stores, respectively)	22	16	13
Short-term loans in Cash & Go, Ltd. joint venture kiosks (3)	34	35	41
Average inventories per pawn location, in thousands:	$ 90	$ 90	$ 97
Average outstanding customer loan amount at December 31:			
Pawn receivables - U.S.	$ 169	$ 162	$ 153
Pawn receivables - Mexico	65	63	76
Short-term loan receivables - U.S.	369	331	309
Short-term loan receivables - Mexico	88	100	122
CSO short-term loans held by independent third-party lender - U.S. (4)	451	445	494
Locations in operation (excluding joint venture kiosks):			
Beginning of the year	482	417	353
Opened	63	55	67
Acquired	2	16	-
Consolidated/closed	(1)	(6)	(3)
End of the year	546	482	417
Number of locations at end of period:			
Pawn stores - U.S.	97	94	94
Pawn stores - Mexico	286	226	182
Short-term loan stores - U.S. (3)	120	117	113
Short-term loan stores - Mexico	33	33	17
Short-term loan stores also offering pawn loans - U.S. (3)	-	2	3
Short-term loan stores also offering pawn loans - Mexico	10	10	8
Cash & Go, Ltd. joint venture kiosks - U.S. (3)	39	39	39

(1)

Short-term loan amount includes short-term loans recorded on the Company's balance sheet and active CSO short-term loans outstanding from the independent third-party lender, which are not included on the Company's balance sheet, net of the Company's estimated fair value of its liability under the letters of credit guaranteeing the loans.

(2) The annualized yield on pawn receivables is calculated by dividing total pawn service fees by the average quarterly pawn receivable balance for the year. The annualized yield, net of loss provision, for short-term loans is calculated by dividing total short-term loan service fees, net of the short-term loan loss provision, by the average quarterly short-term loan receivable balance for the year. The annualized yield calculation for short-term loans does not include credit services fees or the related credit services loss provision.

(3) Includes locations where short-term loans are provided through the CSO program.

(4) Amounts shown represent the gross amount owed by customers before allowances. Active CSO short-term loans outstanding from the independent third-party lender are not included on the Company's balance sheet.

Stores included in the same-store revenue calculations are those stores that were opened prior to the beginning of the prior year comparative fiscal period and are still open. Also included are stores that were relocated during the year within a specified distance serving the same market, where there is not a significant change in store size and where there is not a significant overlap or gap in timing between the opening of the new store and the closing of the existing store. Non-retail sales of scrap jewelry are included in same-store revenue calculations.

While the Company has had significant increases in revenue due to new store openings and acquisitions, the Company has also incurred increases in operating expenses attributable to the additional locations. Operating expenses consist of all items directly related to the operation of the Company's stores, including salaries and related payroll costs, rent, utilities, equipment, advertising, property taxes, licenses, supplies and security. Administrative expenses consist of items relating to the operation of the corporate offices, including the compensation and benefit costs of corporate management, area supervisors and other operations management personnel, collections operations and personnel, accounting and administrative costs, information technology costs, liability and casualty insurance, outside legal and accounting fees and stockholder-related expenses.

	Year Ended December 31,		
	2009	2008	2007
Income statement items as a percent of total revenue:			
Revenue:			
Pawn merchandise sales	62.7%	60.3%	56.8%
Pawn service fees	22.0	21.8	21.9
Short-term loan and credit services fees	14.9	17.5	20.8
Other	0.4	0.4	0.5
Cost of revenue:			
Cost of goods sold	37.7%	34.9%	33.2%
Short-term loan and credit services loss provision	3.9	4.9	5.9
Other	0.1	0.1	0.1
Net revenues	58.3%	60.1%	60.8%
Expenses and other income:			
Store operating expenses	27.8%	29.1%	30.8%

Administrative expenses	9.4	9.3	9.3
Depreciation and amortization	2.7	3.2	3.5
Interest expense, net	0.2	0.2	0.1
Income from continuing operations before income taxes	18.2%	18.3%	17.1%
Provision for income taxes	6.8	6.8	6.2
Income from continuing operations	11.4	11.5	10.9
Pawn merchandise sales gross profit margin	39.8%	42.1%	41.5%

Discontinued Operations

In December 2009, the Company reached an agreement to sell all 22 of its West Coast stores to privately-held California Check Cashing Stores, LLC. The Company recorded a gain of $901,000, or $0.03 per share, net of tax, from the sale of these stores in fiscal 2009. The after tax earnings from operations for all of the West Coast stores were $1,376,000, or $0.05 per share in fiscal 2009, $1,716,000, or $0.06 per share in 2008 and $2,165,000, or $0.06 per share in 2007. In addition, the Company discontinued its short-term loan operations in Michigan effective March 2009, and certain Texas short-term loan/credit services stores were discontinued in both the first and second quarters of 2009. Associated with these store closings, the Company recorded year-to-date after tax charges in fiscal 2009 of $1,111,000, or $0.04 per share, $924,000, or $0.03 per share in 2008 and $787,000, or $0.02 per share in 2007. All revenue, expenses and income reported in these financial statements have been adjusted to reflect reclassification of these discontinued operations.

The Company discontinued its Auto Master buy-here/pay-here automotive operation in the third quarter of 2008 and subsequently sold the inventory and retail operations to a third party. Under a related services agreement, the purchaser is collecting the Company's outstanding Auto Master customer notes receivable, which are being reported by the Company as a discontinued asset. After-tax net income from the discontinued Auto Master operation during fiscal 2009 was $6,747,000, or $0.22 per share. The earnings per share of $0.22 realized in fiscal 2009 reflect the excess of the amounts collected in the current year over anticipated collections based on the assumed liquidation fair value methodology utilized in the Company's write-down of these same assets. A non-cash charge of $1.70 per share, or $51,302,000, net of tax, was included as a component of discontinued operations for the year ending December 31, 2008. All revenue, expenses and income from continuing operations reported in this report exclude gains and losses of the discontinued Auto Master operation.

Effective December 2007, the Company discontinued its short-term loan operations in the District of Columbia ("D.C."). This was the result of legislation enacted in the fourth quarter of 2007 to cap the maximum annual percentage rate charged on short-term loans at 24%, which made the short-term loan product financially unviable; therefore, the Company closed its seven short-term loan stores in D.C. All revenue, expenses and income reported in this report have been adjusted to reflect reclassification of the discontinued D.C. operations. Associated with these store closings, the Company recorded an after tax charge of $808,000, or $0.02 per share in 2007. The after tax earnings from operations for the D.C. stores were $3,386,000, or $0.10 per share in 2007, and $243,000, or $0.01 per share in 2008.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related revenue and expenses, and disclosure of gain and loss contingencies at the date of the financial statements. Such estimates and assumptions are subject to a number of risks and uncertainties, which may cause actual results to differ materially from the Company's estimates. The significant accounting policies that the Company believes are the most critical to aid in fully understanding and evaluating its reported financial results include the

following:

Principles of consolidation

- The accompanying consolidated financial statements of the Company include the accounts of its wholly-owned subsidiaries. The Company is a 50% partner in Cash & Go, Ltd., a Texas limited partnership, and in accordance with ASC 810-10-10-1, which establishes standards for the consolidation of variable interest entities, the consolidated operating results include those of Cash & Go, Ltd. On June 17, 2009, the Company acquired two pawn stores located in Dallas, Texas. The results of operations for the acquired stores have been consolidated with the Company's results of operations since the acquisition on June 17, 2009. On December 5, 2008, the Company acquired Central America Capital, S.A. de C.V. (a Mexican corporation using the trade name "Presta Max"). Accordingly, the operating results of Presta Max are not included in consolidated operating results prior to December 5, 2008. All significant intercompany accounts and transactions have been eliminated. See Note 4 of Notes to Consolidated Financial Statements.

Receivables and revenue recognition

- Receivables on the balance sheet consist of pawn receivables, short-term loan receivables and receivables from discontinued operations. Pawn loan receivables are collateralized by pledged tangible personal property. The Company accrues pawn service fee revenue on a constant-yield basis over the life of the pawn for all pawns that the Company deems collection to be probable based on historical pawn redemption statistics. The typical pawn loan has an initial term of 30 days, which, depending on state law, can generally be extended from 15 to 60 days. If the pawn is not repaid, the principal amount pawned becomes the carrying value of the forfeited collateral (inventory), which is held for sale.

The Company recognizes credit services fees ratably over the life of the loan made by the Independent Lender. The loans made by the Independent Lender to credit services customers have terms of 7 to 180 days. The Company records a liability for collected, but unearned, credit services fees received from its customers. The Company accrues short-term loan service fees on a constant-yield basis over the term of the short-term loan. Short-term loans have terms that range from 7 to 180 days.

The outstanding customer notes receivable from the discontinued Auto Master operation are collected by a third party according to the terms of a collections service agreement. All principal amounts, finance charges and related fees collected by the purchaser, as well as any proceeds from sales of repossessed vehicles, are remitted to the Company as collected, net of a collection management fee, based on a calculation provided in the collections agreement. Net principal and interest payments collected are applied to the recorded receivable balance. See Note 6 regarding the Company's valuation of the fair value of these notes receivable.

Credit services and short-term loan loss provision

- Under the CSO program, letters of credit issued by the Company to the Independent Lender constitute a guarantee for which the Company is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken by issuing the letters of credit. The Independent Lender may present the letter of credit to the Company for payment if the customer fails to repay the full amount of the loan and accrued interest after the due date of the loan. Each letter of credit expires approximately 30 days after the due date of the loan. The Company's maximum loss exposure under all of the outstanding letters of credit issued on behalf of its customers to the Independent Lender as of December 31, 2009 was $15,217,000. According to the letter of credit, if the borrower defaults on the loan, the Company will pay the Independent Lender the principal, accrued interest, insufficient funds fees, and late fees, all of which the Company records in the short-term loan and credit services loss provision. The Company is entitled to seek recovery directly from its customers for amounts it pays the Independent Lender in performing under the letters of credit. The Company records the estimated fair value of the liability under the letters of credit in accrued liabilities.

An allowance is provided for losses on active short-term loans and service fees receivable based upon expected default rates, net of estimated future recoveries of previously defaulted short-term loans and service fees receivable. The Company considers short-term loans to be in default if they are not repaid on the due date, and writes off the principal amount and service fees receivable as of the default date, leaving only active advances in the reported balance. Net defaults and changes in the short-term loan allowance are charged to the short-term loan loss provision.

Inventories

- Pawn inventories represent merchandise acquired from forfeited pawns and merchandise purchased directly from the public. Inventories from forfeited pawns are recorded at the amount of the pawn principal on the unredeemed goods, exclusive of accrued interest. Inventories purchased directly from customers are recorded at cost. The cost of pawn inventories is determined on the specific identification method. Pawn inventories are stated at the lower of cost or market; accordingly, inventory valuation allowances are established, if necessary, when inventory carrying values are in excess of estimated selling prices, net of direct costs of disposal. Management has evaluated inventories and determined that a valuation allowance is not necessary. The Company presents merchandise sales net of any sales taxes collected.

Long-lived assets

- Property and equipment and non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the net book value of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected future cash flows (undiscounted and before interest) from the use of the asset is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the difference between the net book value of the asset and the estimated fair value of the related asset. Other than disclosed in Note 5 of Notes to Consolidated Financial Statements, management does not believe any of these assets have been impaired at December 31, 2009 or 2008. Goodwill and identified intangible assets are reviewed annually for impairment based upon their fair value, or more frequently if certain indicators arise. Other than disclosed in Note 5 of Notes to Consolidated Financial Statements, management has determined that goodwill and identified intangible assets have not been impaired at December 31, 2009 or 2008.

Stock-based compensation -

Effective January 1, 2006, the Company adopted ASC 718-10-10-01, which establishes standards for the accounting of transactions under share-based payment arrangements. See Note 14 of Notes to Consolidated Financial Statements.

Guarantees

- In accordance with the provisions of ASC 460-10, "Guarantees," the Company has determined that the letters of credit issued by the Company to the Independent Lender as part of the CSO program constitute a guarantee for which the Company is required to recognize a liability for the fair value of the obligation undertaken by issuing the letters of credit. Each letter of credit is issued at the time that the Company's credit services customer enters into a loan agreement with the Independent Lender. The Independent Lender may present the letter of credit to the Company for payment if the customer fails to repay the full amount of the loan and accrued interest after the due date of the loan. Each letter of credit expires approximately 30 days after the due date of the loan. The Company is entitled to seek recovery directly from its customers for amounts it pays the Independent Lender in performing under the letters of credit. The Company records the estimated fair value of the liabilities under the letters of credit in accrued liabilities.

Foreign Currency Transactions

- The Company has significant operations in Mexico, where the functional currency for the Company's Mexican subsidiaries is the Mexican peso. In accordance with the provisions of ASC 830-10-45-07, which establishes standards for the changes in a functional currency, the assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rate in effect at each balance sheet date, and the resulting adjustments are accumulated in other comprehensive income (loss) as a separate component of stockholders' equity. Revenue and expenses are translated at the monthly average exchange rates occurring during each year. Prior to translation, any U.S. dollar-denominated transactions of the Mexican-based subsidiaries are re-measured into Mexican pesos using current rates of exchange for monetary assets and liabilities and historical rates of exchange for non-monetary assets and liabilities. Gains and losses from re-measurement of dollar-denominated monetary assets and liabilities in Mexico are included in store operating expenses. See additional discussion of constant currency operating results provided in the section titled "Non-GAAP Financial Information."

Results of Continuing Operations

Twelve Months Ended December 31, 2009 Compared to Twelve Months Ended December 31, 2008.

The following table details the components of revenue for the fiscal year ended December 31, 2009, as compared to the fiscal year ended December 31, 2008 (in thousands). Constant currency results exclude the effects of foreign currency translation and are calculated by translating current year results at prior year average exchange rates. The average exchange rate of the Mexican peso to the U.S. dollar changed from 11.2 to 1 for fiscal 2008 to 13.5 to 1 for fiscal 2009. The Company's management reviews and analyzes business results on a constant currency basis because the Company believes this better represents the Company's underlying business trends.

	Year Ended December 31,				Increase/(Decrease) Constant Currency Basis
	2009	2008	Increase/(Decrease)		
Domestic revenue:					
Pawn retail merchandise sales	$ 66,376	$ 64,162	$ 2,214	3 %	3 %
Pawn scrap jewelry sales	34,454	26,969	7,485	28 %	28 %
Pawn service fees	38,323	34,116	4,207	12 %	12 %
Credit services fees	42,498	45,493	(2,995)	(7)%	(7)%
Short-term loan fees	8,046	7,745	301	4 %	4 %
Other	1,211	1,419	(208)	(15)%	(15)%
	190,908	179,904	11,004	6 %	6 %
Foreign revenue:					
Pawn retail merchandise sales	84,530	64,493	20,037	31 %	48 %
Pawn scrap jewelry sales	44,097	37,626	6,471	17 %	17 %
Pawn service fees	42,482	35,741	6,741	19 %	34 %
Short-term loan fees	3,840	2,867	973	34 %	50 %
Other	97	8	89	100 + %	100 + %
	175,046	140,735	34,311	24 %	36 %
Total revenue:					
Pawn retail merchandise sales	150,906	128,655	22,251	17 %	26 %
Pawn scrap jewelry sales	78,551	64,595	13,956	22 %	22 %
Pawn service fees	80,805	69,857	10,948	16 %	23 %
Credit services fees	42,498	45,493	(2,995)	(7)%	(7)%
Short-term loan fees	11,886	10,612	1,274	12 %	17 %
Other	1,308	1,427	(119)	(8)%	(6)%
	$ 365,954	$ 320,639	$ 45,315	14 %	19 %

The following table details pawn receivables, short-term loan receivables, active CSO loans outstanding from an independent third-party lender and inventories as of December 31, 2009, as compared to December 31, 2008 (in thousands). Constant currency results exclude the effects of foreign currency translation and are calculated by translating current year balances at the prior year end-of-period exchange rate. The end of year exchange rate of the Mexican peso to the U.S. dollar changed from 13.8 to 1 at December 31, 2008 to 13.1 to 1 at December 31, 2009.

	Balance at December 31,				Increase/(Decrease) Constant Currency Basis
	2009	2008	Increase/(Decrease)		
Domestic customer receivables and CSO loans outstanding:					
Pawn receivables	$ 31,277	$ 26,100	$ 5,177	20 %	20 %
CSO short-term loans held					

by independent third-party (1)	12,837	12,724	113	1 %	1 %
Short-term loan receivables, net of allowance	2,189	1,950	239	12 %	12 %
	46,303	40,774	5,529	14 %	14 %
Foreign customer receivables:					
Pawn receivables	22,442	18,070	4,372	24 %	18 %
Short-term loan receivables, net of allowance	887	700	187	27 %	20 %
	23,329	18,770	4,559	24 %	18 %
Total customer receivables and CSO loans outstanding:					
Pawn receivables	53,719	44,170	9,549	22 %	19 %
CSO short-term loans held by independent third-party (1)	12,837	12,724	113	1 %	1 %
Short-term loan receivables, net of allowance	3,076	2,650	426	16 %	13 %
	$ 69,632	$ 59,544	$ 10,088	17 %	15 %
Pawn inventories:					
Domestic pawn inventories	$ 17,285	$ 16,717	$ 568	3 %	3 %
Foreign pawn inventories	17,152	12,021	5,131	43 %	35 %
	$ 34,437	$ 28,738	$ 5,699	20 %	17 %

(1) CSO short-term loans outstanding are comprised of the principal portion of active CSO short-term loans outstanding from an independent third-party lender, which are not included on the Company's balance sheet, net of the Company's estimated fair value of its liability under the letters of credit guaranteeing the loans.

Pawn and Short-Term Loan Operations

The overall increase in year-over-year revenue from the pawn and short-term loan operations was due to a combination of same-store pawn revenue growth and the opening of new pawn stores. The increase in pawn revenues was minimally offset by declining U.S. credit services revenue. Same-store revenue in the pawn stores (stores that were in operation during all of the year of both fiscal 2008 and fiscal 2009) increased by 9% on a constant currency basis for fiscal 2009 as compared to fiscal 2008. The significant foreign revenue growth from Mexico is reflective of new store openings and continued maturation of stores in Mexico, where the Company has concentrated the majority of its store openings over the past several years. Revenue growth in the U.S. was primarily the result of strong demand for pawn loans, increased collateral value for gold jewelry and increased revenue from scrap jewelry sales. The Company believes that it will continue to experience overall growth in pawn revenue in fiscal 2010, assuming the continued strength of customer demand and the opening and maturation of stores. Same-store sales declined by 11% in the Company's U.S. short-term/payday loan stores, as a result of increased competition and rising unemployment, which reduced the pool of potential customers. Revenue generated by the new pawn and short-term loan stores opened since January 1, 2008 increased by $44,347,000 on a constant currency basis, compared to fiscal 2008.

Combined pawn retail and scrap jewelry sales increased by 19% for the year, with Mexico stores contributing 37% growth on a constant currency basis, and U.S. stores generating 11% growth. The 22% increase in pawn scrap jewelry sales during fiscal 2009 was due primarily to a 9% increase in the quantity of scrap jewelry sold and a 10% increase in the weighted-average selling price of scrap gold. The total volume of gold scrap jewelry sold in 2009 was 77,000 ounces at an average cost of $664 per ounce and an average selling price of $979 per ounce. Retail sales of pawn merchandise in the U.S. grew at a lesser rate due to weaker consumer demand in the U.S. and because the Company elected to scrap a greater percentage of pawn jewelry inventories, given increased scrap margins and lower selling costs associated with scrap sales. Retail sales in Mexico grew at a significantly faster rate due primarily to new store openings and maturation of newer existing stores.

Pawn receivables grew by 20% in the U.S., while in Mexico, pawn receivables grew by 18% on a constant currency basis. The increase was primarily the result of increased transaction volumes in the U.S. and Mexico. For example, in the U.S., same-store transaction volumes increased approximately 13%, while the average loan size increased 4%. The 16% increase in pawn service charge revenue (23% on a constant currency basis) was consistent with the increase in pawn loan activity, which reflected increased transaction volumes and loan sizes and continued expansion in Mexico. Service fees from short-term loans and credit services decreased 3% compared to fiscal 2008, which was reflective of a decline in outstanding U.S. short-term loans and CSO loans. The Company attributes the decline to weakened consumer demand for short-term/payday loan products and increased competition.

The gross profit margin on pawn merchandise sales was 40% during fiscal 2009, compared to 42% during fiscal 2008. The retail pawn merchandise margin, which excludes scrap jewelry sales, was 42% during fiscal 2009, compared to 45% in fiscal 2008. Gross margin on sales of scrap jewelry was 35% during fiscal 2009, compared to 37% during fiscal 2008. The decrease in retail margins was reflective of a general weakness in the consumer retailing environment, while the change in the scrap margin was reflective of increased inventory costs. Pawn inventories increased over prior year by 20%, which was reflective of growth in pawn receivable balances, especially in Mexico. At December 31, 2009, the Company's pawn inventories were comprised of 48% gold jewelry, 33% electronics, 9% tools and 10% other.

The Company's short-term loan and credit services loss provision decreased to 26% of short-term loan and credit services fee revenue during fiscal 2009, compared to 28% for the prior year. The Company attributes the decrease in the loss primarily to fewer store openings in 2009, as newer stores typically have above-average credit losses. During fiscal 2009, the Company sold bad debt portfolios generated from short-term loan and credit services guarantees for proceeds of $102,000, compared to $421,000 in the prior-year period. Proceeds from the sales reduced the credit loss provision. The Company's loss reserve on short-term loan receivables increased to $186,000, or 5.7% of the gross receivable balance at December 31, 2009, compared to $125,000, or 4.5% of the gross receivable balance at December 31, 2008. The estimated fair value of liabilities under the CSO letters of credit, net of anticipated recoveries from customers, was $890,000, or 6.5% of the gross receivable balance at December 31, 2009, compared to $749,000, or

5.6% of the gross receivable balance at December 31, 2008, which is included as a component of the Company's accrued liabilities.

Pawn and short-term loan store operating expenses increased 9% to $101,574,000 during fiscal 2009 compared to $93,290,000 during fiscal 2008, primarily as a result of the net addition of 129 new pawn and short-term loan stores since January 1, 2008, which is a 31% increase in the store count. Operating expenses increased approximately 11% on a constant currency basis.

The net store profit contribution from the pawn and short-term loan operations for the current year was $103,474,000, which equates to a store-level operating margin of 28%, which equaled the prior-year margin.

Administrative Expenses, Interest, Taxes and Income

Administrative expenses increased 14% to $34,281,000 during fiscal 2009 compared to $29,942,000 during fiscal 2008, which reflected an 18% increase in the weighted-average store count and increased general management and supervisory compensation expense related to increased revenue and profitability. Interest expense decreased to $765,000 during fiscal 2009, compared to $793,000 for fiscal 2008.

For fiscal 2009 and 2008, the Company's effective federal income tax rates of 37.4% and 37.2%, respectively, differed from the federal statutory tax rate of approximately 35%, primarily as a result of state income taxes. The increase in the tax rate was due primarily to an increase in the effective state income tax rates.

Income from continuing operations increased 14% to $41,851,000 during fiscal 2009 compared to $36,848,000 during fiscal 2008. Including the results from the discontinued operations of Auto Master and the West Coast, Michigan, Texas and Washington, D.C. short-term loan/credit services stores, net income was $49,764,000 during fiscal 2009 compared to a net loss of $21,536,000 during fiscal 2008. The net loss in fiscal 2008 is primarily due to the $59,419,000 charge, net of tax, from the discontinued Auto Master operation, while in fiscal 2009 discontinued operations from Auto Master contributed $6,747,000 to after tax net income.

Twelve Months Ended December 31, 2008 Compared to Twelve Months Ended December 31, 2007.

The following table details the components of revenue for the fiscal year ended December 31, 2008, as compared to the fiscal year ended December 31, 2007 (in thousands):

	Year Ended December 31,			
	2008	2007	Increase/(Decrease)	
Domestic revenue:				
Pawn retail merchandise sales	$ 64,162	$ 63,068	$ 1,094	2 %
Pawn scrap jewelry sales	26,969	16,203	10,766	66 %
Pawn service fees	34,116	31,255	2,861	9 %
Credit services fees	45,493	46,320	(827)	(2)%
Short-term loan fees	7,745	8,426	(681)	(8)%
Other	1,419	1,462	(43)	(3)%
	179,904	166,734	13,170	8 %
Foreign revenue:				
Pawn retail merchandise sales	64,493	49,248	15,245	31 %

Pawn scrap jewelry sales	37,626	23,102	14,524	63 %
Pawn service fees	35,741	27,116	8,625	32 %
Short-term loan fees	2,867	862	2,005	233 %
Other	8	-	8	-
	140,735	100,328	40,407	40 %
Total revenue:				
Pawn retail merchandise sales	128,655	112,316	16,339	15 %
Pawn scrap jewelry sales	64,595	39,305	25,290	64 %
Pawn service fees	69,857	58,371	11,486	20 %
Credit services fees	45,493	46,320	(827)	(2)%
Short-term loan fees	10,612	9,288	1,324	14 %
Other	1,427	1,462	(35)	(2)%
	$ 320,639	$ 267,062	$ 53,577	20 %

The following table details pawn receivables, short-term loan receivables, active CSO loans outstanding from an independent third-party lender and inventories as of December 31, 2008, as compared to December 31, 2007 (in thousands):

	Balance at December 31,			
	2008	2007	Increase/(Decrease)	
Domestic customer receivables and CSO loans outstanding:				
Pawn receivables	$ 26,100	$ 24,747	$ 1,353	5 %
CSO loans held by independent third-party (1)	12,724	14,421	(1,697)	(12)%
Short-term loan receivables, net of allowance	1,950	2,039	(89)	(4)%
	40,774	41,207	(433)	(1)%
Foreign customer receivables:				
Pawn receivables	18,070	16,538	1,532	9 %
Short-term loan receivables, net of allowance	700	314	386	123 %
	18,770	16,852	1,918	11 %
Total customer receivables and CSO loans outstanding:				
Pawn receivables	44,170	41,285	2,885	7 %
CSO loans held by independent third-party (1)	12,724	14,421	(1,697)	(12)%

Short-term loan receivables, net of allowance	2,650	2,353	297	13 %
	$ 59,544	$ 58,059	$ 1,485	3 %
Pawn inventories:				
Domestic pawn inventories	$ 16,717	$ 16,853	$ (136)	(1)%
Foreign pawn inventories	12,021	10,017	2,004	20 %
	$ 28,738	$ 26,870	$ 1,868	7 %

(1) CSO short-term loans outstanding are comprised of the principal portion of active CSO short-term loans outstanding from an independent third-party lender, which are not included on the Company's balance sheet, net of the Company's estimated fair value of its liability under the letters of credit guaranteeing the loans.

Pawn and Short-Term Loan Operations

The 20% increase in year-over-year revenue from the pawn and short-term loan operations was due primarily to a combination of significant same-store revenue growth and the opening of new stores. Same-store revenue in the pawn and short-term loans stores (stores that were in operation during all of the year of both fiscal 2007 and fiscal 2008) increased by 14%, or $35,166,000 in fiscal 2008 as compared to fiscal 2007. Revenue generated by the new pawn and short-term loan stores opened between January 1, 2007 and December 31, 2008 increased by $18,411,000 compared to fiscal 2007. The strong growth in foreign revenue is reflective of continued significant expansion in Mexico, where the Company has concentrated the majority of its store openings over the past several years.

Combined pawn retail and scrap jewelry sales increased by 27% for the year, with Mexico stores recording 41% growth and U.S. stores 15% growth. The 64% increase in pawn scrap jewelry sales during fiscal 2008 was primarily due to a 29% increase in the quantity of scrap jewelry sold and a 27% increase in the weighted-average selling price of scrap gold. The total volume of gold scrap jewelry sold in 2008 was 70,500 ounces at an average cost of $593 per ounce and an average selling price of $888 per ounce. Retail sales of pawn merchandise grew at a lesser rate due to weaker consumer demand in the U.S. and because the Company elected to scrap a greater percentage of pawn jewelry inventories, given increased scrap margins and lower selling costs associated with scrap sales.

Pawn receivables grew by 5% in the U.S., which has a mature store base. In Mexico, pawn receivables grew by 9%, which was negatively impacted by the change in the peso/dollar exchange rate during the fourth quarter, as loans grew by 26% in Mexico on a constant currency basis. The 20% increase in pawn service charge revenue was consistent with the increase in pawn loan activity, which reflected increased consumer demand in all markets and continued expansion in Mexico. Service fees from short-term loans and credit services were essentially flat compared to 2007, which was reflective of a slight decline in outstanding short-term loans and CSO loans.

The gross profit margin on pawn merchandise sales was 42% during fiscal 2008, compared to 41% during fiscal 2007. The retail pawn merchandise margin, which excludes scrap jewelry sales, was 45% during fiscal 2008, compared to 44% in fiscal 2007. Gross margin on sales of scrap jewelry was 37% during fiscal 2008, compared to 35% during fiscal 2007. The increase in both retail and wholesale margins was due primarily to increased gold prices compared to the prior year. Pawn inventories increased over prior year by 7%, which was consistent with the increase in pawn receivables. At December 31, 2008, the Company's pawn inventories were comprised of 46% gold jewelry, 35% electronics, 8% tools and 11% other.

The Company's short-term loan and credit services loss provision was 28% of short-term loan and credit services fee revenue during fiscal 2008, which is consistent with the prior year. During fiscal 2008, the Company sold bad debt

portfolios generated from short-term loan and credit services guarantees for an aggregate price of $421,000, compared to proceeds of $664,000 for similar transactions in the prior year period. The Company's loss reserve on short-term loan receivables decreased to $125,000, or 4.5% of the gross receivable balance at December 31, 2008, compared to $168,000, or 6.7% of the gross receivable balance at December 31, 2007. The estimated fair value of liabilities under the CSO letters of credit, net of anticipated recoveries from customers, was $749,000, or 5.6% of the gross receivable balance at December 31, 2008, compared to $811,000, or 5.3% of the gross receivable balance at December 31, 2007, which is included as a component of the Company's accrued liabilities. The decrease was consistent with the overall decrease in credit services loans outstanding and credit loss experienced in 2008.

Pawn and short-term loan store operating expenses increased 14% to $93,290,000 during fiscal 2008 compared to $82,172,000 during fiscal 2007, primarily as a result of the net addition of 129 new pawn and short-term loan stores between January 1, 2007 and December 31, 2008, which is a 37% increase in the store count.

The net store profit contribution from the pawn and short-term loan operations for the current year improved to $90,553,000, which equates to a store-level operating margin of 28%, compared to a 27% margin in 2007.

Administrative Expenses, Interest, Taxes and Income

Administrative expenses increased 20% to $29,942,000 during fiscal 2008 compared to $24,871,000 during fiscal 2007, which is primarily attributable to increased administrative expenses in Mexico and increased general management and supervisory compensation expenses.

For fiscal 2008 and 2007, the Company's effective federal income tax rates of 37.2% and 36.4%, respectively, differed from the federal statutory tax rate of approximately 35%, primarily as a result of state income taxes. The increase in the tax rate was due primarily to an increase in the effective state income tax rates.

Income from continuing operations increased 27% to $36,848,000 during fiscal 2008 compared to $29,105,000 during fiscal 2007. Including the results from the discontinued operations of Auto Master and the West Coast, Michigan, Texas and Washington, D.C. short-term loan/credit services stores, the net loss was $21,536,000 during fiscal 2008 compared to net income of $35,288,000 during fiscal 2007.

Liquidity and Capital Resources

As of December 31, 2009, the Company's primary sources of liquidity were $26,777,000 in cash and cash equivalents, $65,058,000 in receivables, $34,437,000 in inventories, $2,638,000 in receivables of discontinued operations from Auto Master and $90,000,000 of available and unused funds under the Company's line of credit with two commercial lenders (the "Credit Facility"). The Company had working capital of $101,295,000 as of December 31, 2009, and total equity exceeded total liabilities by a ratio of 4.9 to 1.

The Company has $90,000,000 available under its Credit Facility which matures in April 2010. The Credit Facility bears interest at the prevailing LIBOR rate (which was approximately 0.23% at both December 31, 2009 and March 11, 2010) plus a fixed interest rate margin of 1.375%. Amounts available under the Credit Facility are limited to 300% of the Company's earnings before income taxes, interest, depreciation and amortization for the trailing twelve months. As of December 31, 2009, the Company paid off the remaining balance on its $90,000,000 Credit Facility, of which $68,500,000 was outstanding at the beginning of the year and $43,000,000 million was owed at the beginning of the fourth quarter. The Credit Facility was repaid utilizing cash flows generated from the pawn operations, along with proceeds from the sale of the West Coast stores and continuing residual cash flows from the discontinued Auto Master operation. Under the terms of the Credit Facility, the Company is required to maintain certain financial ratios and comply with certain financial covenants. The Company was in compliance with the requirements and covenants of the Credit Facility as of December 31, 2009 and March 11, 2010. The Company is required to pay an annual commitment fee of 1/8 of 1% on the average daily-unused portion of the Credit Facility commitment. The Company's Credit

Facility contains provisions that allow the Company to repurchase stock and/or pay cash dividends within certain parameters. Substantially all of the unencumbered assets of the Company have been pledged as collateral against indebtedness under the Credit Facility. The Company is in the process of renewing/extending the Credit Facility which matures in April 2010.

At December 31, 2009, the Company had notes payable to individuals arising from the Presta Max acquisition which totaled $7,689,000 in aggregate and bear interest at 5.5% per annum. The remaining balance is being paid in monthly payments of principal and interest scheduled through December 2012. Of the $7,689,000 in notes payable, $2,424,000 is classified as a current liability and $5,265,000 is classified as long-term debt.

At December 31, 2009, the Company had notes payable to individuals arising from the Auto Master acquisition which totaled $1,687,000 in aggregate and bear interest at 7% per annum, with quarterly payments of principal and interest scheduled through July 2010. All of the $1,687,000 in notes payable is classified as a current liability.

The following table sets forth certain historical information with respect to the Company's sources and uses of cash (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Cash flow from operating activities:			
Net income (loss)	$ 49,764	$ (21,536)	$ 35,288
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation and amortization	11,112	12,122	11,074
Deferred income taxes	16,076	(17,141)	2,056
Share-based compensation	346	310	233
Non-cash portion of credit loss provision	1,735	40,223	43,619
Loss on disposal of Auto Master	-	51,782	-
Net gain on sales of payday loan stores	(1,841)	-	-
Changes in operating assets and liabilities:			
Automotive finance receivables	7,566	(38,766)	(66,793)
Finance and service fees receivable	(867)	(180)	(2,901)
Inventories	(7,144)	4,603	(2,736)
Prepaid expenses and other assets	(686)	693	(5,463)
Income taxes payable	3,921	26,966	2,059
Accounts payable and accrued liabilities	4	(1,527)	(713)
Net cash flow provided by operating activities	79,986	57,549	15,723
Cash flow from investing activities:			
Pawn customer receivables	(5,322)	(7,078)	(10,038)
Short-term loan customer receivables	(2,340)	(3,142)	(3,898)
Purchases of property and equipment	(15,376)	(20,200)	(23,989)
Distribution to joint venture	(75)	(194)	(63)
Proceeds from sales of payday loan stores	12,014	-	-
Acquisitions of pawn stores	(1,307)	(4,476)	-
Net cash flows used in investing activities	(12,406)	(35,090)	(37,988)

Cash flow from financing activities:			
Proceeds from debt	-	44,800	78,875
Payments of debt	(76,199)	(36,065)	(35,125)
Purchases of treasury stock	-	(16,997)	(32,142)
Proceeds from exercise of stock options and warrants	2,118	899	6,816
Income tax benefit from exercise of stock options and warrants	2,759	327	2,481
Net cash flow (used in) provided by financing activities	(71,322)	(7,036)	20,905
Effect of exchange rates on cash	1,513	(592)	-
Change in cash and cash equivalents	(2,229)	14,831	(1,360)
Cash and cash equivalents at beginning of the year	29,006	14,175	15,535
Cash and cash equivalents at end of the year	$ 26,777	$ 29,006	$ 14,175

The profitability and liquidity of the Company is affected by the amount of customer receivables outstanding and related collections of such receivables. In general, revenue growth is dependent upon the Company's ability to fund growth of customer receivable balances and inventories, and the ability to absorb related credit losses. In addition to these factors, merchandise sales, inventory levels and the pace of store expansions affect the Company's liquidity. Regulatory risks, such as adverse changes in restricting fees or interest charges, could affect future cash flows associated with pawn lending, credit services and short-term loans. Such risks are described in greater detail in Part I, Item 1.

Approximately $20,900,000 of operating cash flows in fiscal 2009 were derived from the collection of Auto Master notes receivable, a discontinued operation more fully described in Note 5 of Notes to Consolidated Financial Statements. The Company expects to receive additional collections from Auto Master notes receivable in the first half of 2010, although at a significantly reduced rate compared to fiscal 2009, as the receivable balances are collected or written-off.

During the period from January 1, 2009 through December 31, 2009, the Company issued 286,000 shares of common stock relating to the exercise of outstanding stock options for an aggregate exercise price of $2,541,000 (including income tax benefit). During the period from January 1, 2009 through December 31, 2009, the Company issued 312,000 shares of common stock relating to the exercise of outstanding stock warrants for an aggregate exercise price of $2,337,000 (including income tax benefit). There can be no assurance or expectation of future cash flows from the exercise of stock options or warrants.

The Company intends to continue expansion primarily through new store openings. During fiscal 2009, the Company has opened 64 stores and acquired two stores, of which 60 were new stores in Mexico, one was a U.S. pawnshop and three were U.S. short-term loan stores. The Company anticipates opening approximately 65 to 75 additional pawnshops, primarily in Mexico, during fiscal 2010. The Company does not anticipate opening any new U.S. short-term loan stores in 2010 or thereafter. Capital expenditures, working capital requirements and start-up losses related to new store expansion have been and are expected to continue to be funded primarily through operating cash flow and, if necessary, the Credit Facility. The Company funded $15,376,000 in capital expenditures during fiscal 2009, related primarily to new store locations, and expects to fund capital expenditures at a similar rate, adjusted for the expected increase in store openings, in 2010. The Company's cash flow and liquidity available to fund expansion in fiscal 2009 included net cash flow from operating activities of $79,986,000. In addition, the Company had $90,000,000 available under its Credit Facility at December 31, 2009. Management believes that the amounts available to be drawn under the Credit Facility and cash generated from operations will be sufficient to accommodate the Company's current operations and store expansion plans for fiscal 2010.

The Company continually looks for, and is presented with potential acquisition opportunities in the pawn industry. The Company will evaluate potential acquisitions, if any, based upon geographic location, growth potential, purchase price, strategic fit and quality of management personnel, among other factors. If the Company encounters an attractive opportunity to acquire additional stores in the near future, the Company may seek additional financing, the terms of which will be negotiated on a case-by-case basis. Other than the Credit Facility and other existing notes, the Company currently has no written commitments for additional borrowings or future acquisitions.

The Company has 1,360,000 shares of common stock available for repurchase under a 2007-authorized share repurchase program. The number of shares to be purchased in the future and the timing of such purchases will be based on the level of cash balances, available credit facilities, general business conditions and other factors. No time limit is set for the completion of the repurchases under the current program. During fiscal 2009, the Company did not repurchase any shares of common stock. During fiscal 2008, the Company repurchased 1,640,000 shares of common stock at a total price of $16,997,000. During fiscal 2007, the Company repurchased 1,539,000 shares of common stock for a total of $32,142,000 to close out the 2006-authorized program.

Non-GAAP Financial Information

The Company uses certain financial calculations, such as free cash flow, EBITDA and constant currency, which are not considered measures of financial performance under U.S. generally accepted accounting principles ("GAAP"). Items excluded from the calculation of free cash flow and EBITDA are significant components in understanding and assessing the Company's financial performance. Since free cash flow and EBITDA are not measures determined in accordance with GAAP and are thus susceptible to varying calculations, free cash flow and EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. Free cash flow and EBITDA should not be considered as alternatives to net income, cash flow provided by or used in operating, investing or financing activities or other financial statement data presented in the Company's consolidated financial statements as indicators of financial performance or liquidity. Non-GAAP measures should be evaluated in conjunction with, and are not a substitute for, GAAP financial measures.

Free Cash Flow

For purposes of its internal liquidity assessments, the Company considers free cash flow, which is defined as cash flow from the operating activities of continuing and discontinued operations reduced by purchases of property and equipment and net cash outflow from pawn and short-term/payday loan customer receivables. Free cash flow is commonly used by investors as a measure of cash generated by business operations that will be used to repay scheduled debt maturities and can be used to invest in future growth through new business development activities or acquisitions, repurchase stock, or repay debt obligations prior to their maturities. These metrics can also be used to evaluate the Company's ability to generate cash flow from business operations and the impact that this cash flow has on the Company's liquidity. The following table reconciles "net cash flow from operating activities" to "free cash flow" (unaudited, in thousands):

	Year Ended December 31,		
	2009	2008	2007
Cash flow from operating activities	$ 79,986	$ 57,549	$ 15,723
Cash flow from investing activities:			
Pawn and short-term loan receivables	(7,662)	(10,220)	(13,936)
Purchases of property and equipment	(15,376)	(20,200)	(23,989)
Free cash flow	$ 56,948	$ 27,129	$ (22,202)

Earnings Before Interest, Taxes, Depreciation and Amortization

EBITDA is commonly used by investors to assess a company's leverage capacity, liquidity and financial performance. EBITDA from continuing operations for fiscal 2009 totaled $77,625,000, an increase of 12% compared to $69,497,000 for fiscal 2008. The EBITDA margin, which is EBITDA as a percentage of revenue, for fiscal 2009 was 21%, compared to 22% for the comparable prior-year period. The following table provides a reconciliation of income from continuing operations to EBITDA (unaudited, in thousands):

	Year Ended December 31,		
	2009	2008	2007
Income from continuing operations	$ 41,851	$ 36,848	$ 29,105
Adjustments:			
Income taxes	25,003	21,783	16,657
Depreciation and amortization	10,073	10,128	9,438
Interest expense	765	793	133
Interest income	(67)	(55)	(78)
Earnings before interest, income taxes, depreciation and amortization	$ 77,625	$ 69,497	$ 55,255

Constant Currency

Certain performance metrics discussed in this report are presented on a "constant currency" basis, which may be considered a non-GAAP measurement of financial performance under GAAP. The Company's management uses constant currency results to evaluate operating results of certain business operations in Mexico, which are transacted in Mexican pesos. Pawn scrap jewelry in Mexico is sold in U.S. dollars and, accordingly, does not require a constant currency adjustment. Constant currency results reported herein are calculated by translating certain balance sheet and income statement items denominated in Mexican pesos using the exchange rate from the prior-year comparable period, as opposed to the current comparable period, in order to exclude the effects of foreign currency rate fluctuations for purposes of evaluating period-over-period comparisons. For balance sheet items, the end of year exchange rate of 13.8 to 1 was used at December 31, 2008, compared to the exchange rate of 13.1 to 1 at December 31, 2009. For income statement items, the average closing daily exchange rate for the appropriate period was used. The average exchange rate for the prior-year ended December 31, 2008 was 11.2 to 1, compared to the current year rate of 13.5 to 1.

Contractual Commitments

A tabular disclosure of contractual obligations at December 31, 2009, including Cash & Go, Ltd. is as follows:

	Payments Due by Period (in thousands)				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years

Operating leases	$ 66,703	$ 21,541	$ 30,180	$ 12,570	$ 2,412
Employment and consulting contracts for officers and directors	7,959	1,970	3,189	1,400	1,400
Revolving credit facility (1)	-	-	-	-	-
Notes payable	9,376	4,111	5,265	-	-
Interest on notes payable	729	422	307	-	-
Total	$ 84,767	$ 28,044	$ 38,941	$ 13,970	$ 3,812

(1) Excludes interest obligations under the line of credit agreement. See Note 10 of Notes to Consolidated Financial Statements.

Off-Balance Sheet Arrangements

The Company offers a fee-based credit services organization program ("CSO program") to assist consumers, primarily in Texas markets, in obtaining credit. Under the CSO program, the Company assists customers in applying for a short-term loan from an independent, non-bank, consumer lending company (the "Independent Lender") and issues the Independent Lender a letter of credit to guarantee the repayment of the loan. When a consumer executes a credit services agreement with the Company, the Company agrees, for a fee payable to the Company by the consumer, to provide a variety of credit services to the consumer, one of which is to guarantee the consumer's obligation to repay the loan received by the consumer from the Independent Lender if the consumer fails to do so.

For short-term loan products originated by the Independent Lender, the Independent Lender is responsible for evaluating each of its customers' applications, determining whether to approve a short-term loan based on an application and determining the amount of the short-term loan. The Company is not involved in the Independent Lender's short-term loan approval processes or in determining the lenders' approval procedures or criteria. At December 31, 2009, the outstanding amount of active short-term loans originated and held by the Independent Lender was $13,727,000.

Since the Company may not be successful in collection of delinquent accounts under the CSO program, the Company's short-term loan loss provision includes amounts estimated to be adequate to absorb credit losses from short-term loans in the aggregate short-term loan portfolio, including those expected to be assigned to the Company or acquired by the Company as a result of its guaranty obligations. Accrued losses of $890,000 on portfolios owned by the Independent Lender are included in "accrued liabilities" in the consolidated balance sheets. The Company believes that this amount is adequate to absorb credit losses from short-term loans expected to be assigned to the Company or acquired by the Company as a result of its guaranty obligations.

Inflation

The Company does not believe that inflation has had a material effect on the volume of customer receivables originated, merchandise sales, or results of operations.

Seasonality

The Company's retail operations associated with its pawn business is seasonal in nature with its highest volume of merchandise sales occurring during the first and fourth calendar quarters of each year, which coincide with Valentine's Day and Christmas, respectively. The Company's pawn lending and short-term loan activities are also seasonal, with the highest volume of lending activity occurring during the third and fourth calendar quarters of each year. The Company typically experiences significant reductions in its loan balances in Mexico in December of each year, as many customers receive statutory "Christmas bonuses" which they utilize to pay down debt. In the U.S., loan balances typically decline in the first quarter as a result of income tax refunds which are utilized to pay down consumer debt.

Recent Accounting Pronouncements

See discussion in Note 2 of Notes to Consolidated Financial Statements. The Company does not expect recent accounting pronouncements issued and not yet adopted to have a material effect on the Company's financial statement disclosures, financial position or results of operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is subject to risks in the normal course of business. See "Risk Factors" in Item 1A. above and "Market Risks" below for more information about these risks.

Market Risks

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

Gold Price Risk

The Company has significant holdings of gold in the form of jewelry inventories and pawn collateral and a significant portion of merchandise sales are gold jewelry and scrap gold sales. At December 31, 2009, the Company held approximately $16,530,000 in jewelry inventories, representing 48% of total inventory. In addition, approximately $29,036,000, or 54% of total pawn receivables was collateralized by jewelry, which was primarily gold. Of the Company's total retail merchandise revenues during fiscal 2009, approximately $40,000,000, or 27%, was gold jewelry sales. Total scrap jewelry sales in fiscal 2009 were $78,551,000, of which a substantial majority was gold. A significant and sustained decline in the price of gold would negatively impact the value of jewelry inventories held by the Company and the value of gold jewelry pledged as collateral by pawn customers. As a result, the Company's profit margins from the sale of existing jewelry inventories would be negatively impacted, as would the potential profit margins on gold jewelry currently pledged as collateral by pawn customers in the event it was forfeited by the customer. In addition, a decline in gold prices could result in a lower balance of pawn loans outstanding for the Company, as customers would receive lower loan amounts for individual pieces of pledged gold jewelry. The Company believes that many customers would be willing to add additional items of value to their pledge in order to obtain the desired loan amount, thus mitigating a portion of this risk.

Foreign Currency Risk

The financial statements of the Company's subsidiaries in Mexico are translated into U.S. dollars using period-end exchange rates for assets and liabilities and weighted-average exchange rates for revenues and expenses. Adjustments resulting from translating net assets are reported as a separate component of accumulated other comprehensive income (loss) within shareholders' equity under the caption, "comprehensive income (loss)." Exchange rate gains or losses related to foreign currency transactions are recognized as transaction gains or losses in the Company's income statement as incurred. Total peso-denominated net assets related to the Company's Mexican operations were $90,413,000 at December 31, 2009 and the operations in Mexico generated 48% of the Company's fiscal 2009 revenue. During fiscal 2009, net unfavorable foreign currency fluctuations, primarily due to depreciation of the Mexican peso, reduced consolidated revenue growth by 5 percentage points. A significant portion of the reduction in revenue growth was offset by a corresponding reduction in peso-denominated expense growth, and accordingly, the net effect on profitability in 2009 was limited. However, potential future Mexican currency declines against the U.S. dollar, which are not offset, could adversely impact the Company's future results.

Interest Rate Risk

The Company is potentially exposed to interest rate risk related to its long-term line of credit and notes payable, although at December 31, 2009, the Company had no balance outstanding under its revolving line of credit. This revolving line is priced with a variable rate based on LIBOR or a base rate, plus an applicable margin based on a defined leverage ratio for the Company. Other notes payable of the Company bear interest at fixed rates. See Note 10 of Notes to Consolidated Financial Statements. Based on the average outstanding indebtedness during the year ended December 31, 2009, a 1% (100 basis points) increase in interest rates would have increased the Company's interest expense by approximately $400,000 for the year ended December 31, 2009.

The Company's cash and cash equivalents are invested in money market accounts. Accordingly, the Company is subject to changes in market interest rates. However, the Company does not believe a change in these rates would have a materially adverse effect on the Company's operating results, financial condition, or cash flows.

Item 8. Financial Statements and Supplementary Data

The financial statements prepared in accordance with Regulation S-X are included in a separate section of this report. See the index to Financial Statements at Item 15(a)(1) and (2) of this report.

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

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, management of the Company has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2009 ("Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective (i) to ensure that information required to be disclosed by us in reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms; and (ii) to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

The Report of Management on Internal Control Over Financial Reporting is included in Item 9A. of this annual report on Form 10-K. There was no change in the Company's internal control over financial reporting during the quarter ended December 31, 2009, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or internal controls will prevent all possible error and fraud. The Company's disclosure controls and procedures are, however, designed to provide reasonable assurance of achieving their objectives, and the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective at that reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. This internal control system has been designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of the Company's published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. To make this assessment, management used the criteria for effective internal control over financial reporting described in *Internal Control-Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2009, the Company's internal control over financial reporting is effective based on those criteria.

Hein & Associates LLP, an independent registered public accounting firm, has audited the consolidated financial statements prepared by management. Their report on the consolidated financial statements is included in Part IV, Item 15. Hein & Associates LLP's report on the Company's internal control over financial reporting appears on the following page.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of First Cash Financial Services, Inc.

We have audited First Cash Financial Services, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. First Cash Financial Services, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, First Cash Financial Services, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of First Cash Financial Services, Inc. and subsidiaries, as of December 31, 2009 and 2008, and the related consolidated statements of income, stockholders' equity, and cash flows for the three years in the period ended December 31, 2009 and our report dated March 15, 2010 expressed an unqualified opinion thereon.

Hein & Associates LLP
Dallas, Texas
March 15, 2010

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item with respect to the directors, executive officers and compliance with Section 16(a) of the Exchange Act is incorporated by reference from the information provided under the headings "Election of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance," respectively, contained in the Company's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for the Company's Annual Meeting of Stockholders.

On March 11, 2010, the Company adopted an amended and restated Code of Ethics that applies to all of its directors, officers, and employees. The amended and restated Code of Ethics is provided herein at Exhibit 14.1 and is publicly available on the Company's website at **www.firstcash.com**. The Company intends to disclose future amendments to, or waivers from, certain provisions of its Code of Ethics on its website in accordance with applicable NASDAQ and SEC requirements. Copies of the Company's Code of Ethics are also available, free of charge, by submitting a written request to First Cash Financial Services, Inc., Investor Relations, 690 E. Lamar Blvd., Suite 400, Arlington, Texas 76011.

Item 11. Executive Compensation

The information required by this item is incorporated by reference from the information provided under the heading "Executive Compensation" of the Company's Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table gives information about the Company's common stock that may be issued upon the exercise of options under shareholder-approved plans, including its 1990 Stock Option Plan, its 1999 Stock Option Plan, and its

2004 Long-Term Incentive Plan as of December 31, 2009. Additionally, the Company issues warrants to purchase shares of common stock to certain key members of management, members of the Board of Directors that are not employees or officers, and to other third parties. The issuance of warrants is not approved by shareholders, and each issuance is generally negotiated between the Company and such recipients.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (A)	Weighted average exercise price of outstanding options, warrants and rights (B)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A) (C)
Equity compensation plans approved by security holders	3,103,000	$ 15.89	475,000
Equity compensation plans not approved by security holders	464,000	3.27	-
Total	3,567,000	14.25	475,000

Other information required by this item is incorporated herein by reference from the information provided under the heading "Security Ownership of Certain Beneficial Owners and Management" of the Company's Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference from the information provided in the Company's Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference from the information provided in the Company's Proxy Statement under the discussion of the Company Audit Committee and under the item regarding shareholder ratification of the Company's independent accountants.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this report:

(1) Consolidated Financial Statements:

	Page
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets	F-2
Consolidated Statements of Income	F-3
Consolidated Statements of Changes in Stockholders' Equity	F-4
Consolidated Statements of Comprehensive Income	F-4
Consolidated Statements of Cash Flow	F-5

Notes to Consolidated Financial Statements F-7

(2) All schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

(3) Exhibits:

3.1(7)	Amended Certificate of Incorporation
3.2(5)	Amended Bylaws
4.1(2)	Common Stock Specimen
10.1(1)	First Cash, Inc. 1990 Stock Option Plan
10.2 (8)	Consulting Agreement - Phillip E. Powell
10.3(3)	Acquisition Agreement - Miraglia, Inc.
10.4(4)	Acquisition Agreement for Twelve Pawnshops in South Carolina
10.5(4)	Acquisition Agreement for One Iron Ventures, Inc.
10.6(4)	First Cash Financial Services, Inc. 1999 Stock Option Plan
10.7(6)	Executive Incentive Compensation Plan
10.8(7)	2004 Long-Term Incentive Plan
10.9(9)	Stock Purchase Agreement - Auto Master
10.10(9)	Third Amendment to the Credit Agreement
10.11(10)	Amendment to Consulting Agreement - Phillip E. Powell
10.12(11)	Amended and Restated Employment Agreement - Rick L. Wessel
10.13(12)	Fourth Amendment to the Credit Agreement
10.14 (13)	Employment Agreement - Stephen O. Coffman
10.15(14)	Fifth Amendment to the Credit Agreement
10.16(15)	Asset Purchase Agreement - Sale of Auto Master to Interstate Auto Group, Inc.
10.17(15)	Collection Services Agreement - Interstate Auto Group, Inc.
10.18(16)	Stock Purchase Agreement - Central America Capital, S.A. de C.V.
14.1(17)	Amended and Restated Code of Ethics
21.1(17)	Subsidiaries
23.1(17)	Consent of Independent Registered Public Accounting Firm, Hein & Associates LLP
31.1(17)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2(17)	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1(17)	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2(17)	

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Filed as an exhibit to the Company's Registration Statement on Form S-18 (No. 33-37760-FW) and incorporated herein by reference.
(2) Filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-48436) and incorporated herein by reference.
(3) Filed as an exhibit to the Annual Report on Form 10-K for the fiscal year ended July 31, 1998 (File No. H - 19133) and incorporated herein by reference.
(4) Filed as an exhibit to the Company's Registration Statement on Form S-3 dated January 22, 1999 (File No. 333-71077) and incorporated herein by reference.
(5) Filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1999 (File No. H - 19133) and incorporated herein by reference.
(6) Filed as Exhibit A to the Company's Definitive Proxy Statement filed on April 30, 2003.
(7) Filed as Exhibit A to the Company's Definitive Proxy Statement filed on April 29, 2004.
(8) Filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2004 (File No. H - 19133) and incorporated herein by reference.
(9) Filed as an exhibit to the Current Report on Form 8-K dated August 22, 2006 (File No. 0 - 19133) and incorporated herein by reference.
(10) Filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2006 (File No. H - 19133) and incorporated herein by reference.
(11) Filed as an exhibit to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 (File No. H - 19133) and incorporated herein by reference.
(12) Filed as an exhibit to the Current Report on Form 8-K dated September 7, 2007 (File No. H - 19133) and incorporated herein by reference.
(13) Filed as Exhibit A to the Company's Definitive Proxy Statement filed on April 29, 2008.
(14) Filed as an exhibit to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 (File No. H - 19133) and incorporated herein by reference.
(15) Filed as an exhibit to the Current Report on Form 8-K dated December 9, 2008 (File No. H - 19133) and incorporated herein by reference.
(16) Filed as an exhibit to the Current Report on Form 8-K dated December 11, 2008 (File No. 0 - 19133) and incorporated herein by reference.
(17) Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 15, 2010 FIRST CASH FINANCIAL SERVICES, INC.

(Registrant)

/s/ RICK L. WESSEL

Rick L. Wessel

Chief Executive Officer
(Principal Executive Officer)

/s/ R. DOUGLAS ORR

R. Douglas Orr
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ PHILLIP E. POWELL	Chairman of the Board	March 15, 2010
Phillip E. Powell		
/s/ RICK L. WESSEL	Vice Chairman of the Board, President, Chief Executive Officer (Principal Executive Officer)	March 15, 2010
Rick L. Wessel		
/s/ R. DOUGLAS ORR	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2010
R. Douglas Orr		
/s/ MIKEL D. FAULKNER	Director	March 15, 2010
Mikel D. Faulkner		
/s/ TARA U. MACMAHON	Director	March 15, 2010
Tara U. MacMahon		
/s/ RANDEL G. OWEN	Director	March 15, 2010
Randel G. Owen		

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of First Cash Financial Services, Inc.

We have audited the accompanying consolidated balance sheets of First Cash Financial Services, Inc., and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity, comprehensive income and cash flows for the three years ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Cash Financial Services, Inc., and subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of First Cash Financial Services, Inc., and subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 15, 2010, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Hein & Associates LLP
Dallas, Texas
March 15, 2010

FIRST CASH FINANCIAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31,	
	2009	2008
ASSETS		
Cash and cash equivalents	$ 26,777	$ 29,006
Service fees receivable	8,263	6,708
Pawn receivables	53,719	44,170
Short-term loan receivables, net of allowance of **$186** and $125, respectively	3,076	2,650
Inventories	34,437	28,738
Prepaid expenses and other current assets	7,093	7,393
Current assets of discontinued operations	3,221	9,730
Total current assets	136,586	128,395

Property and equipment, net	47,980	41,198
Goodwill and intangible assets, net	70,252	75,191
Other	1,467	1,191
Long-term assets of discontinued operations	-	19,368
Total assets	$ 256,285	$ 265,343
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of notes payable	$ 4,111	$ 7,048
Accounts payable	1,801	2,280
Accrued liabilities	18,183	21,380
Income taxes payable and deferred taxes payable	10,958	-
Current liabilities of discontinued operations	238	2,110
Total current liabilities	35,291	32,818
Revolving credit facility	-	68,500
Notes payable, net of current portion	5,265	9,389
Deferred income tax liabilities	3,290	186
Total liabilities	43,846	110,893
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock; $.01 par value; 10,000 shares authorized; no shares issued or outstanding	-	-
Common stock; $.01 par value; 90,000 shares authorized; **36,697** and 36,099 shares issued, respectively; **29,857** and 29,258 shares outstanding, respectively	367	361
Additional paid-in capital	117,892	112,750
Retained earnings	198,083	148,319
Accumulated other comprehensive income (loss)	(6,491)	(9,568)
Common stock held in treasury, **6,840** and 6,840 shares at cost, respectively	(97,412)	(97,412)
Total stockholders' equity	212,439	154,450
Total liabilities and stockholders' equity	$ 256,285	$ 265,343

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

FINANCIAL FIRST CASH SERVICES, INC.

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Year Ended December 31,		
	2009	2008	2007
Revenue:			
Pawn merchandise sales	$ 229,457	$ 193,250	$ 151,621
Pawn service fees	80,805	69,857	58,371
Short-term loan and credit services fees	54,384	56,105	55,608
Other	1,308	1,427	1,462
	365,954	320,639	267,062
Cost of revenue:			
Cost of goods sold	138,090	111,817	88,750
Short-term loan and credit services loss provision	14,222	15,800	15,772
Other	162	293	242
	152,474	127,910	104,764
Net revenue	213,480	192,729	162,298
Expenses and other income:			
Store operating expenses	101,574	93,290	82,172
Administrative expenses	34,281	29,942	24,871
Depreciation and amortization	10,073	10,128	9,438
Interest expense	765	793	133
Interest income	(67)	(55)	(78)
	146,626	134,098	116,536
Income from continuing operations before income taxes	66,854	58,631	45,762
Provision for income taxes	25,003	21,783	16,657
Income from continuing operations	41,851	36,848	29,105
Income (loss) from discontinued operations, net of tax (Note 5)	7,913	(58,384)	6,183
Net income (loss)	$ 49,764	$ (21,536)	$ 35,288
Basic income per share:			
Income from continuing operations	$ 1.42	$ 1.24	$ 0.92

Income (loss) from discontinued operations (Note 5)		0.26		(1.97)		0.20
Net income (loss) per basic share	$	1.68	$	(0.73)	$	1.12
Diluted income per share:						
Income from continuing operations	$	1.39	$	1.22	$	0.89
Income (loss) from discontinued operations (Note 5)		0.26		(1.93)		0.19
Net income (loss) per diluted share	$	1.65	$	(0.71)	$	1.08

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

F-3

FIRST CASH FINANCIAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Year Ended December 31,					
	2009		2008		2007	
	Shares	Amount	Shares	Amount	Shares	Amount
Preferred stock:	-	$ -	-	$ -	-	$ -
Common stock:						
Balance, beginning of year	36,099	361	35,923	359	35,339	353
Exercise of stock options and warrants, including income tax benefit	598	6	176	2	584	6
Balance, end of year	36,697	367	36,099	361	35,923	359
Additional paid-in capital:						
Balance, beginning of year		112,750		111,410		101,949
Exercise of stock options and warrants, including income tax benefit		4,871		1,224		9,291
Share-based compensation expense		346		310		233
Distribution to joint venture		(75)		(194)		(63)
Balance, end of year		117,892		112,750		111,410

Retained earnings:						
Balance, beginning of year		148,319		169,855		134,567
Net income (loss)		49,764		(21,536)		35,288
Balance, end of year		198,083		148,319		169,855
Accumulated other comprehensive income (loss):						
Balance, beginning of year		(9,568)		-		-
Currency translation adjustment, net of tax		3,077		(9,568)		-
Balance, end of year		(6,491)		(9,568)		-
Treasury Stock:						
Balance, beginning of year	6,840	(97,412)	5,200	(80,415)	3,661	(48,273)
Repurchases of treasury stock	-	-	1,640	(16,997)	1,539	(32,142)
Balance, end of year	6,840	(97,412)	6,840	(97,412)	5,200	(80,415)
Total Stockholders' Equity		$ 212,439		$ 154,450		$ 201,209

F-4

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,		
	2009	2008	2007
Net income (loss)	$ 49,764	$ (21,536)	$ 35,288
Other comprehensive income (loss):			
Currency translation adjustment, net of tax expense of $1,838 and benefit of $5,619 and $0, respectively	3,077	(9,568)	-
Comprehensive income (loss)	$ 52,841	$ (31,104)	$ 35,288

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

F-4

FIRST CASH FINANCIAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2009	2008	2007
Cash flow from operating activities:			
Net income (loss)	$ 49,764	$ (21,536)	$ 35,288
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation and amortization	11,112	12,122	11,074
Deferred income taxes	16,076	(17,141)	2,056
Share-based compensation	346	310	233
Non-cash portion of credit loss provision	1,735	40,223	43,619
Loss on disposal of Auto Master	-	51,782	-
Net gain on sales of payday loan stores	(1,841)	-	-
Changes in operating assets and liabilities:			
Automotive finance receivables	7,566	(38,766)	(66,793)
Finance and service fees receivable	(867)	(180)	(2,901)
Inventories	(7,144)	4,603	(2,736)
Prepaid expenses and other assets	(686)	693	(5,463)
Income taxes payable	3,921	26,966	2,059
Accounts payable and accrued liabilities	4	(1,527)	(713)
Net cash flow provided by operating activities	79,986	57,549	15,723
Cash flow from investing activities:			
Pawn customer receivables	(5,322)	(7,078)	(10,038)
Short-term loan customer receivables	(2,340)	(3,142)	(3,898)
Purchases of property and equipment	(15,376)	(20,200)	(23,989)
Distribution to joint venture	(75)	(194)	(63)
Proceeds from sales of payday loan stores	12,014	-	-
Acquisitions of pawn stores	(1,307)	(4,476)	-
Net cash flows used in investing activities	(12,406)	(35,090)	(37,988)
Cash flow from financing activities:			
Proceeds from debt	-	44,800	78,875
Payments of debt	(76,199)	(36,065)	(35,125)
Purchases of treasury stock	-	(16,997)	(32,142)
Proceeds from exercise of stock options and warrants	2,118	899	6,816
Income tax benefit from exercise of stock options and warrants	2,759	327	2,481
Net cash flow (used in) provided by financing activities	(71,322)	(7,036)	20,905

Effect of exchange rates on cash	1,513	(592)	-
Change in cash and cash equivalents	(2,229)	14,831	(1,360)
Cash and cash equivalents at beginning of the year	29,006	14,175	15,535
Cash and cash equivalents at end of the year	$ 26,777	$ 29,006	$ 14,175

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

FIRST CASH FINANCIAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(in thousands)

	Year Ended December 31,		
	2009	2008	2007
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$ 1,564	$ 3,170	$ 2,422
Income taxes	$ 6,260	$ 7,931	$ 13,348
Supplemental disclosure of non-cash operating activity:			
Automobile inventory acquired in repossession	$ -	$ 2,245	$ 2,903
Supplemental disclosure of non-cash investing activity:			
Non-cash transactions in connection with pawn receivables settled through forfeitures of collateral transferred to inventories	$ 78,960	$ 69,815	$ 59,789
Supplemental disclosure of non-cash financing activity:			
Notes payable issued in connection with the acquisition of Presta Max	$ -	$ 15,000	$ -
Withholding tax liability related to Presta Max acquisition	$ -	$ 5,000	$ -

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

FIRST CASH FINANCIAL SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND NATURE OF THE COMPANY

First Cash Financial Services, Inc., (the "Company") was incorporated in Texas in July 1988, and was reincorporated in Delaware in April 1991. The Company is engaged primarily in the operation of pawn stores, which lend money on the collateral of pledged personal property and retail previously owned merchandise acquired through pawn forfeitures and purchases directly from the general public. In addition to making short-term secured pawn loans, certain of the Company's pawn stores offer short-term loans and credit services. The Company also operates short-term loan stores that provide short-term loans, credit services, check cashing, and other related financial services. As of December 31, 2009, the Company owned and operated 383 pawn stores and 163 short-term loan stores. The Company is also a 50% owner of Cash & Go, Ltd., a Texas limited partnership that owns and operates 39 financial services kiosks inside convenience stores.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

Principles of consolidation

- The accompanying consolidated financial statements of the Company include the accounts of its wholly-owned subsidiaries. The Company is a 50% partner in Cash & Go, Ltd., a Texas limited partnership, and in accordance with FASB ASC 810-10-10-1, which establishes standards for the consolidation of variable interest entities, the consolidated operating results include those of Cash & Go, Ltd. In 2009, the Company acquired two pawn stores located in Dallas, Texas, and the results of operations for the acquired stores have been consolidated since the acquisition on June 17, 2009. In 2008, the Company acquired Central America Capital, S.A. de C.V. (a Mexican corporation using the trade name "Presta Max"). Accordingly, the operating results of Presta Max are included in consolidated operating results since the acquisition on December 5, 2008. All significant intercompany accounts and transactions have been eliminated. See Note 4.

Cash and cash equivalents

- The Company considers any highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

Customer receivables and revenue recognition -

Pawn receivables are short-term loans secured by the customer's pledge of tangible personal property. The Company accrues pawn service charge revenue on a constant-yield basis over the life of the pawn loan for all pawns that the Company deems collection to be probable based on historical pawn redemption statistics. If the pawn is not repaid, the principal amount loaned becomes the carrying value of the forfeited collateral ("inventory"), which is recovered through sale. Short-term loans are cash advances and installment loans with terms that range from 7 to 180 days. The Company accrues short-term loan service fees on a constant-yield basis over the term of the short-term loan. In its Texas and Maryland markets, the Company offers a credit services product ("CSO program") to assist customers in obtaining a short-term loan from an independent, non-bank, consumer lending company (the "Independent Lender"). The Company recognizes credit services fees ratably over the life of the loan made by the Independent Lender. The loans made by the Independent Lender to credit services customers of the Company have terms of 7 to 180 days. The Company records a liability for collected, but unearned, credit services fees received from its customers.

Credit loss provisions

- The Company maintains an allowance for credit losses on an aggregate basis at a level it considers sufficient to cover estimated losses in the collection of its short-term loan receivables. The allowance for credit losses is based primarily upon historical credit loss experience, with consideration given to recent credit loss trends and changes in loan characteristics (e.g., average amount financed and term), delinquency levels, collateral values, economic conditions and underwriting and collection practices. The allowances for credit losses are periodically reviewed by management with any changes reflected in current operations. Although it is at least reasonably possible that events or circumstances could occur in the future that are not presently foreseen which could cause actual credit losses to be materially different from the recorded allowance for credit losses, the Company believes that it has given appropriate consideration to all relevant factors and has made reasonable assumptions in determining the allowance for credit losses. The Company considers short-term loans to be in default if they are not repaid on the due date, and writes off the principal amount and service charge receivable as of the default date. Net defaults and changes in the short-term loan allowance are charged to the short-term loan loss provision. Under the CSO program, the Company issues the Independent Lender a letter of credit to guarantee the repayment of the loan. These letters of credit constitute a guarantee for which the Company is required to recognize a liability for the fair value of the obligation undertaken by issuing the letters of credit. According to the letter of credit, if the borrower defaults on the loan, the Company will pay the Independent Lender the principal, accrued interest, insufficient funds fee, and late fees, all of which the Company records as bad debt in the short-term loan and credit services loss provision. The Company is entitled to seek recovery directly from its customers for amounts it pays the Independent Lender in performing under the letters of credit. The Company records the estimated fair value of the liability under the letters of credit in accrued liabilities.

Foreign Currency Transactions

- The Company has significant operations in Mexico, where the functional currency for the Company's Mexican subsidiaries is the Mexican peso. In accordance with the provisions of ASC 830-10-45-07, which establishes standards for the changes in a functional currency, the assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rate in effect at each balance sheet date, and the resulting adjustments are accumulated in other comprehensive income (loss) as a separate component of stockholders' equity. Revenue and expenses are translated at the monthly average exchange rates occurring during each year. Prior to translation, U.S. dollar-denominated transactions of the Mexican-based subsidiaries are re-measured into Mexican pesos using current rates of exchange for monetary assets and liabilities and historical rates of exchange for non-monetary assets and liabilities. Gains and losses from re-measurement of dollar-denominated monetary assets and liabilities in Mexico are included in store operating expenses, and these gains (losses) for 2009, 2008, and 2007 were ($754,000), $933,000, and ($56,000), respectively.

Store operating expenses -

Costs incurred in operating the pawn stores and short-term loan stores have been classified as store operating expenses. Operating expenses include salary and benefit expense of store employees, rent and other occupancy costs, bank charges, security, insurance, utilities, supplies, depreciation, cash shortages and other costs incurred by the stores.

Layaway and deferred revenue

- Interim payments from customers on layaway sales are credited to deferred revenue and subsequently recorded as income during the period in which final payment is received or if the previous payments are forfeited to the Company.

Inventories

- Pawn inventories represent merchandise purchased directly from the public and merchandise acquired from forfeited pawns. Certain pawn inventories are purchased directly from customers and are recorded at cost. Inventories from forfeited pawns are recorded at the amount of the pawn principal on the unredeemed goods, exclusive of accrued interest. The cost of pawn inventories is determined on the specific identification method. Pawn inventories are stated at the lower of cost or market; accordingly, inventory valuation allowances are established when inventory carrying values are in excess of estimated selling prices, net of direct costs of disposal. Management has evaluated inventories and determined that a valuation allowance is not necessary. The Company presents merchandise sales net of any sales taxes collected.

Property and equipment

- Property and equipment are recorded at cost. Depreciation is determined on the straight-line method based on estimated useful lives of fifteen years for buildings and three to five years for equipment. The costs of improvements on leased stores are capitalized as leasehold improvements and are amortized on the straight-line method over the applicable lease period, or useful life, if shorter.

Maintenance and repairs are charged to expense as incurred; renewals and betterments are charged to the appropriate property and equipment accounts. Upon sale or retirement of depreciable assets, the cost and related accumulated depreciation is removed from the accounts, and the resulting gain or loss is included in the results of operations in the

period the assets are sold or retired.

Long-lived assets -

Property and equipment and non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the net book value of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected future cash flows (undiscounted and before interest) from the use of the asset is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the difference between the net book value of the asset and the estimated fair value of the related asset. Other than disclosed in Note 5, management does not believe any of these assets have been impaired at December 31, 2009 or 2008. Goodwill and identified intangible assets are reviewed annually for impairment based upon their fair value, or more frequently if certain indicators arise. Other than disclosed in Note 5, management has determined that goodwill and identified intangible assets have not been impaired at December 31, 2009 or 2008.

Fair value of financial instruments

- The fair value of financial instruments is determined by reference to various market data and other valuation techniques, as appropriate. Unless otherwise disclosed, the fair values of financial instruments approximate their recorded values, due primarily to their cash nature. See Note 6.

Income taxes

- The Company uses the liability method of computing deferred income taxes on all material temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. See Note 11.

Advertising

- The Company expenses the costs of advertising the first time the advertising takes place. Advertising expense from continuing operations for the fiscal years ended December 31, 2009, 2008 and 2007, was $1,519,000, $1,338,000, and $1,536,000, respectively.

Share-based compensation -

ASC 718-10-10-01 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Stock-based compensation expense is based on the grant-date fair value estimated in accordance with the provisions of ASC 718-10-10-01. The Company recognizes compensation cost net of a forfeiture rate and recognizes the compensation cost for only those awards expected to vest on a straight-line basis over the requisite service period of the award, which is generally the vesting term. The Company estimated the forfeiture rate based on its historical experience and its expectations of future forfeitures. The Company records share-based compensation cost as an administrative expense. The Company applied the alternative transition method in calculating its pool of excess tax benefits available to absorb future tax deficiencies as provided by ASC 740-20-45-11. See Note 14.

Earnings per share

- Basic income per share is computed by dividing income by the weighted average number of shares outstanding during the year. Diluted income per share is calculated by giving effect to the potential dilution that could occur if securities or other contracts to issue common shares were exercised and converted into common shares during the year.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Year Ended December 31,		
	2009	2008	2007
Numerator:			
Income from continuing operations for calculating basic earnings per share	$ 41,851	$ 36,848	$ 29,105
Interest on convertible note, net of taxes	-	-	43

Income from continuing operations for calculating diluted earnings per share	41,851	36,848	29,148
Income (loss) from discontinued operations	7,913	(58,384)	6,183
Net income (loss) for calculating diluted earnings per share	$ 49,764	$ (21,536)	$ 35,331
Denominator:			
Weighted-average common shares for calculating basic earnings per share	29,559	29,575	31,564
Effect of dilutive securities:			
Convertible note payable	-	-	54
Stock options, warrants and restricted stock	632	641	1,206
Weighted-average common shares for calculating diluted earnings per share	30,191	30,216	32,824
Basic earnings per share:			
Income from continuing operations	$ 1.42	$ 1.24	$ 0.92
Income (loss) from discontinued operations	0.26	(1.97)	0.20
Net income (loss) per basic share	$ 1.68	$ (0.73)	$ 1.12
Diluted earnings per share:			
Income from continuing operations	$ 1.39	$ 1.22	$ 0.89
Income (loss) from discontinued operations	0.26	(1.93)	0.19
Net income (loss) per diluted share	$ 1.65	$ (0.71)	$ 1.08

Pervasiveness of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and related revenue and expenses, and the disclosure of gain and loss contingencies at the date of the financial statements. Such estimates and assumptions are subject to a number of risks and uncertainties, which may cause actual results to differ materially from the Company's estimates. Significant estimates include allowances for doubtful accounts receivable and related credit loss provisions, Auto Master customer receivables and impairment of goodwill.

Reclassification -

Certain amounts for the years ended December 31, 2007 and 2008 have been reclassified in order to conform to the 2009 presentation.

Recent accounting pronouncements

- The Financial Accounting Standards Board ("FASB") issued ASC 105-10-05, "Generally Accepted Accounting Principles," which establishes the Accounting Standards Codification ("Codification" or "ASC") as the single source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of GAAP for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards.

GAAP is not intended to be changed as a result of the Codification, but the ASC does change the way the guidance is organized and presented. As a result, these changes have a significant impact on how companies reference GAAP in their financial statements and in their accounting policies for financial statements issued for interim and annual periods ending after September 15, 2009. The Company has included the references to the Codification, as appropriate, in these consolidated financial statements.

In September 2006, the FASB issued ASC 820-10, "Fair Value Measurements and Disclosures" ("ASC 820-10"), which defines fair value to be the price that would be received when an asset is sold or paid when a liability is transferred in an orderly transaction between market participants at the measurement date and emphasizes that fair value is a market-based measurement, not an entity-specific measurement. It establishes a fair value hierarchy and expands disclosures about fair value measurements in both interim and annual periods. On January 1, 2008, the Company adopted ASC 820-10 for its financial assets and financial liabilities, and on January 1, 2009, the Company adopted ASC 820-10 for its nonfinancial assets and nonfinancial liabilities. The adoption of ASC 820-10 for financial assets and financial liabilities did not have a material effect on the Company's financial position or results of operations and did not materially impact how the Company determines fair value. See Note 6.

In December 2007, the FASB issued ASC 805-10-65, "Transition Related to FASB Statement No. 141 (Revised 2007), Business Combinations" ("ASC 805-10-65"). ASC 805-10-65 establishes principles and requirements for how an acquirer in a business combination: recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase price; and, determines what information to disclose to enable users of the consolidated financial statements to evaluate the nature and financial effects of the business combination. ASC 805-10-65 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The acquisition in June 2009, as reported in Note 4, was accounted for in accordance with ASC 805-10-65. The application of ASC 805-10-65 will cause management to evaluate future transaction returns under different conditions, particularly the near-term and long-term economic impact of expensing transaction costs up front.

In October 2008, the FASB issued ASC 820-10-65-2, "Transition Related to FASB Staff Position FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("ASC 820-10-65-2"), which clarifies the application of ASC 820-10, "Fair Value Measurements and Disclosures," as it relates to the valuation of financial assets in a market that is not active for those financial assets. ASC 820-10-65-2 became effective for the Company upon issuance, and had no material impact on the Company's financial position or results of operations.

In May 2009, the FASB issued ASC 855-10, "Subsequent Events" ("ASC 855-10"), which establishes principles and standards related to the accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued. ASC 855-10 requires an entity to recognize, in the financial statements, subsequent events that provide additional information regarding conditions that existed at the balance sheet date. Subsequent

events that provide information about conditions that did not exist at the balance sheet date shall not be recognized in the financial statements under ASC 855-10. ASC 855-10 was effective for interim and annual reporting periods ending after June 15, 2009. The adoption of ASC 855-10 did not have a material effect on the Company's financial position or results of operations.

In June 2009, the FASB issued revised guidance on the accounting for variable interest entities. The revised guidance, which was issued as Statement of Financial Accounting Standards No. 167, "Amending FASB Interpretation No. 46(R)," was adopted into the Accounting Standards Codification in section ASC 810-10-65 in December 2009 through the issuance of Accounting Standards Update ("ASU") 2009-17. The revised guidance amends FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities," in determining whether an enterprise has a controlling financial interest in a variable interest entity. This determination identifies the primary beneficiary of a variable interest entity as the enterprise that has both the power to direct the activities of a variable interest entity that most significantly impacts the entity's economic performance, and the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the variable interest entity. The revised guidance requires ongoing reassessments of whether an enterprise is the primary beneficiary and eliminates the quantitative approach previously required for determining the primary beneficiary. ASC 810-10-65 is effective for fiscal years beginning after November 15, 2009. The Company does not expect ASC 810-10-65 to have a material effect on the Company's financial position or results of operations.

In August 2009, the FASB issued ASU 2009-05, "Fair Value Measurements and Disclosures, Measuring Liabilities at Fair Value," which amends ASC 820-10, "Fair Value Measurements and Disclosures - Overall," for the fair value measurement of liabilities. This update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value using a valuation technique that uses a quoted price of the identical liability when traded as an asset, a quoted price for similar liabilities or similar liabilities when traded as an asset, or another valuation technique that is consistent with the principles of ASC 820. ASU 2009-05 was effective for the first reporting period beginning after issuance. The Company adopted ASU 2009-05 on October 1, 2009, which did not have a material effect on the Company's financial position or results of operations.

In January 2010, the FASB issued revised guidance intended to improve disclosures related to fair value measurements. The revised guidance, which was issued as ASU 2010-6, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements," was adopted into the Accounting Standards Codification in subtopic 820-10, which requires new disclosures as well as clarifies certain existing disclosure requirements. New disclosures under this guidance require separate information about significant transfers in and out of Level 1 and Level 2 and the reason for such transfers, and also require purchases, sales, issuances, and settlements information for Level 3 measurement to be included in the roll-forward of activity on a gross basis. The guidance also clarifies the requirement to determine the level of disaggregation for fair value measurement disclosures and the requirement to disclose valuation techniques and inputs used for both recurring and nonrecurring fair value measurements in either Level 2 or Level 3. ASU 2010-06 is effective for reporting periods beginning after December 15, 2009, except for the roll-forward of activity on a gross basis for Level 3 fair value measurement, which will be effective for reporting periods beginning after December 15, 2010. The Company does not expect ASU 2010-6 to have a material effect on the Company's financial statement disclosures.

NOTE 3 - CAPITAL STOCK

In March 2008, the Company's Board of Directors authorized an amendment to the 2007-authorized share repurchase program which allows the Company to repurchase up to 3,000,000 shares of its common stock. There are 1,360,000 total remaining shares available for repurchase under the currently authorized plan. Under this share repurchase program, the Company can purchase common stock on the open market or in privately negotiated transactions with independent third-parties. The number of shares to be purchased and the timing of the purchases are based on the level of cash balances, available credit facilities, general business conditions and other factors, including alternative

investment opportunities. No time limit was set for completion of repurchases under the original or amended authorization. During the twelve months ended December 31, 2009, the Company did not repurchase any shares of common stock. During fiscal 2008, the Company repurchased 1,640,000 shares of common stock at a total price of $16,997,000. During fiscal 2007, the Company repurchased 1,539,000 shares of common stock for a total of $32,142,000 to close out the 2006-authorized program.

NOTE 4 - ACQUISITIONS

Consistent with the Company's strategy to continue its expansion of pawn stores in selected U.S. markets, in June 2009, the Company acquired the pawn loans receivable, inventory and all other operating assets of two pawn stores, located in Dallas, Texas, for a total purchase price of $1,307,000, which was paid in cash. The Company allocated $873,000 of the purchase price to the net assets of the stores, which were composed primarily of pawn receivables and inventory. The excess purchase price over the estimated fair market value of the assets acquired has been recorded as goodwill in the amount of $434,000, which is expected to be deductible for tax purposes. The results of operations for the acquired stores have been consolidated with the Company's results of operations since the acquisition on June 17, 2009. Pro forma results of operations have not been presented because the acquisition was not significant in relation to the Company's consolidated financial position or results of operations.

Consistent with the Company's strategy to continue its expansion of pawn stores in Mexico, the acquisition of 16 pawn stores located in southern Mexico from Central America Capital, S.A. de C.V. (a Mexican corporation using the trade name "Presta Max") was completed in December 2008. The purchase price for all of the common stock of Presta Max was $25,000,000, consisting of a cash payment of $10,000,000 and $15,000,000 in short- and long-term notes payable to the selling shareholders of Presta Max. The Company withheld $5,000,000 from the cash payment for the seller's required Mexican income tax withholding, which it remitted to Mexican tax authorities in January 2009.

The acquisition has been accounted for using the purchase method of accounting. Accordingly, the purchase price was allocated to assets and liabilities acquired based upon their estimated fair market values at the date of acquisition. The excess purchase price over the estimated fair market value of the net tangible assets acquired and identifiable intangible assets has been recorded as goodwill in the amount of $21,310,000, which is expected to be deductible for tax purposes.

The allocation of the purchase price is as follows (in thousands):

Cash	$	524
Accrued service fees		136
Pawn receivables		1,808
Inventory		1,391
Other current assets		98
Property and equipment		880
Goodwill		21,310
Intangible assets		644
Current liabilities		(1,791)
Purchase price	$	25,000

The results of operations of the acquired stores have been consolidated with the Company's results of operations since the acquisition on December 5, 2008. Pro forma results of operations have not been presented because the acquisition was not significant in relation to the Company's consolidated financial position or results of operations.

NOTE 5 - DISCONTINUED OPERATIONS

Short-Term Loan Operations

Effective December 2009, the Company reached an agreement to sell all 22 of its stores located in California, Washington and Oregon ("West Coast stores") to privately-held California Check Cashing Stores, LLC. This decision is the result of the Company's strategy to increase focus on its pawn operations and further reduce regulatory exposure from payday lending products. Under the terms of the agreement, the buyer purchased the outstanding customer receivables, customer account lists and fixed assets, assumed leases at all the store locations and hired a significant number of the employees. The Company recorded a gain of $901,000, or $0.03 per share, net of tax, from the sale of these stores in 2009. The after tax earnings from operations for the West Coast stores were $1,376,000, or $0.05 per share in 2009, $1,716,000, or $0.06 per share in 2008 and $2,165,000, or $0.06 per share in 2007.

The Company completed the sale of eight short-term/payday loan stores in Michigan to another operator in the third quarter of 2009 and closed the remaining four stores in Michigan. Under the terms of the asset purchase agreement, the buyer purchased the outstanding customer receivables, customer account lists and fixed assets, assumed leases at all the store locations and hired a significant number of the employees. In addition, five under-performing short-term loan/credit services stores in Texas were closed during the first quarter of 2009 and four such stores were closed during the second quarter of 2009. Associated with this sale and these store closings, the Company recorded after tax charges of $1,111,000, or $0.04 per share in 2009, $924,000, or $0.03 per share in 2008 and $787,000, or $0.02 per share in 2007.

The Company discontinued its short-term/payday loan operations in the District of Columbia ("D.C.") effective December 2007. This decision was the result of legislation enacted by the D.C. city council to cap the maximum annual percentage rate charged on short-term loans at 24%, which made the Company's short-term loan product financially unviable. Associated with these store closings, the Company recorded an after tax charge of $808,000, or $0.02 per share in 2007. The after tax earnings from operations for the D.C. stores were $3,386,000, or $0.10 per share in 2007, and $243,000, or $0.01 per share in 2008.

All revenue, expenses and income reported in these financial statements have been adjusted to reflect reclassification of these discontinued operations. The carrying amounts of the assets and liabilities for these discontinued operations at December 31, 2009 were immaterial. The carrying amounts of the assets and liabilities for these discontinued operations at December 31, 2008 included receivables of $3,680,000, which were classified as a component of current assets. In addition, property and equipment of $1,375,000 was classified as a component of non-current assets.

The following table summarizes the operating results, including gains or losses from disposition, of the West Coast, Michigan, Texas and D.C. short-term loan/credit services stores which have been reclassified as discontinued operations in the consolidated statements of operations for the years ended December 31, 2009, 2008 and 2007 (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Revenue	$ 10,231	$ 13,123	$ 22,086
Cost of revenue	(1,720)	(1,909)	(4,656)
Net revenue	8,511	11,214	17,430
Expenses and other (gain) loss:			
Operating and administrative expenses	6,587	8,442	9,075
Depreciation and amortization	296	1,134	862

Net (gain) loss on sale or disposal	(471)	-	1,270
	6,412	9,576	11,207
Contribution before taxes	2,099	1,638	6,223
Tax expense	(933)	(603)	(2,267)
Net contribution	$ 1,166	$ 1,035	$ 3,956

Auto Master Buy-Here/Pay-Here Operation

In September 2008, the Company decided to exit the buy-here/pay-here automotive business through the sale or liquidation of its Auto Master business unit. The decision to discontinue Auto Master was primarily the result of the Company's desire to focus on its core pawn operations in the U.S. and Mexico. On December 3, 2008, the Company completed the disposition of certain assets of Auto Master through an agreement ("Purchase Agreement") with Interstate Auto Group, Inc. ("IAG," DBA "CarHop"). The Purchase Agreement provided for the sale of certain assets of Auto Master, primarily consisting of inventory, fixed assets and other assets, for an aggregate purchase price of $4,721,000. In addition, under the terms of the Purchase Agreement, the Company had assigned the leases of the dealership lots to IAG. IAG also hired a significant number of the Company's sales and collection employees. A separate collections agreement ("Collections Agreement") provides that IAG manage all collections and loan servicing activities of Auto Master's outstanding customer receivable portfolio. All principal amounts, finance charges and related fees collected by CarHop, as well as any proceeds from sales of repossessed vehicles, are remitted to the Company as collected, net of a collection management fee, based on a calculation as described in the Collections Agreement. The Company expects to receive these cash flows over the term of the outstanding customer notes receivable, the majority of which mature in 2009 and 2010. These are considered to be indirect cash flows as the Company has limited control over the collections operations of IAG. As a result, the customer receivables balances are not considered as held for sale and are reported in discontinued operations for all periods presented.

All revenue and expenses reported for each period herein have been adjusted to reflect reclassification of the discontinued Auto Master operation. Discontinued operations include the revenue and expenses which can be specifically identified with Auto Master, and excludes any allocation of general administrative corporate costs, except interest expense. Interest expense in fiscal 2009 and 2008 of $773,000 and $2,445,000, respectively, was allocated to Auto Master based on the amount of net funds advanced to Auto Master at the Company's corporate cost of funds.

After-tax net income from the discontinued Auto Master operation during fiscal 2009 was $6,747,000, or $0.22 per share. These earnings reflect the excess of the amounts collected in the current year over anticipated collections based on the assumed liquidation fair value methodology utilized in the Company's write-down of these same assets. The Company has realized net cash collections of $20,936,000 on these accounts during 2009 and recorded a pre-tax benefit of approximately $13,370,000. The Company believes cash collections of these Auto Master receivables will generate additional income in the first half of 2010, although at a significantly reduced rate compared to fiscal 2009, as the receivable balances are collected or written-off.

For 2008, Auto Master recorded a loss from discontinued operations of $59,419,000. This included a non-cash loss on the disposal of Auto Master of $1.70 per share, net of tax, or $51,302,000, which is included as a component of discontinued operations for the year ended December 31, 2008. Approximately $31,937,000, net of tax benefit, of this charge was a non-cash fair-value adjustment to customer notes receivables. A non-cash impairment charge related to a write-off of goodwill and intangible assets accounts for $12,302,000, net of tax benefit, of the total charge, while other

fair value adjustments to vehicle inventories, fixed assets and other items accounted for the remaining estimated charge of $7,063,000, net of tax benefit.

At December 31, 2009, the remaining Auto Master gross customer receivables, net of estimated collection costs, totaled approximately $12,319,000, which the Company is carrying, as a component of current assets, at an estimated fair value of $2,638,000. Real property held for sale is carried at a fair value of $583,000, which is classified as a component of current assets. Certain real property of Auto Master previously classified on the balance sheet as a discontinued asset held for sale in the amount of $4,492,000, was reclassified to continuing operations in fiscal 2009.

The carrying amounts of the major classes of assets for the discontinued Auto Master operation at December 31, 2008 included other assets of $569,000, automotive finance receivables of $4,898,000, and real property held for sale of $583,000, which were classified as a component of current assets. In addition, automotive finance receivables of $5,306,000 and deferred tax assets of $12,687,000 were classified as a component of non-current assets, and accounts payable of $85,000 and accrued liabilities of $2,025,000 were classified as a component of current liabilities.

The Auto Master operation was previously accounted for as a reportable segment. As a result of the decision to discontinue the Auto Master operation, the Company does not have any reportable segments.

The following table summarizes the operating results of Auto Master, which has been reclassified as discontinued operations in the consolidated statements of operations for the years ended December 31, 2009, 2008 and 2007 (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Revenue	$ 131	$ 85,751	$ 108,188
Cost of revenue	(115)	(76,680)	(85,344)
Net revenue	16	9,071	22,844
Expenses and other (gain) loss:			
Operating and administrative expenses	1,337	20,700	18,759
Depreciation and amortization	-	859	584
Gain on excess collections	(13,370)	-	-
Loss on disposal	-	78,925	-
	(12,033)	100,484	19,343
Contribution (loss) before taxes	12,049	(91,413)	3,501
Tax benefit (expense)	(5,302)	31,994	(1,274)
Net contribution (loss)	$ 6,747	$ (59,419)	$ 2,227

NOTE 6 - FAIR VALUE MEASUREMENTS

The Company adopted the provisions of ASC 820-10 on January 1, 2008 for financial assets and liabilities, and, January 1, 2009 for nonfinancial assets that are recognized or disclosed in the financial statements on a nonrecurring basis. In accordance with the provisions of ASC 360-10-35-17, which establishes standards related to recognizing impairments of assets, Auto Master customer notes receivable were written down to their estimated fair value at December 31, 2008, resulting in an impairment charge of $49,134,000, before income tax benefit, which was included in discontinued operations for fiscal 2008. The fair value of the customer receivables was estimated based upon anticipated rates of return required by prospective purchasers as derived from discussions with third party purchasers of finance receivables and industry consultants knowledgeable of historical valuations for similar customer receivable portfolios. This estimate included adjustments to reflect the timing and probability of the expected cash flow from the collections and/or sale of these receivables. As required by ASC 820-10-35-37, which establishes standards for determining fair value measurements, financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. The following table summarizes the valuation of the Company's financial instruments by ASC 820-10-35-37 pricing levels as of December 31, 2009 and 2008 (in thousands):

		Fair Value Measurements Using			
	Automotive Finance Receivables	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Balance at:					
December 31, 2009	$ 2,638	$ -	$ -	$ 2,638	$ -
December 31, 2008	$ 10,204	$ -	$ -	$ 10,204	$ -

The following table summarizes the changes in the fair value of the Company's level 3 assets (in thousands):

	Year Ended December 31,	
	2009	2008
Level 3 Assets - Automotive Finance Receivables:		
Balance at beginning of year	$ 10,204	$ -
Establishment of fair value measurement	-	12,872
Net cash collections of principal	(20,936)	(7,320)
Adjustments for realized gains from collections	13,370	4,652
Balance at end of year	$ 2,638	$ 10,204

NOTE 7 - CUSTOMER RECEIVABLES AND VALUATION ACCOUNTS

Customer receivables, net of unearned finance charges, consist of the following (in thousands):

	Pawn	Short-Term Loan	Total
December 31, 2009			
Total customer receivables	**$ 53,719**	**$ 3,262**	**$ 56,981**
Less allowance for doubtful accounts	**-**	**(186)**	**(186)**
	$ 53,719	**$ 3,076**	**$ 56,795**
December 31, 2008			
Total customer receivables	$ 44,170	$ 2,775	$ 46,945
Less allowance for doubtful accounts	-	(125)	(125)
	$ 44,170	$ 2,650	$ 46,820

Changes in the allowance for short-term loan credit losses are as follows (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Balance at beginning of year	**$ 125**	$ 168	$ 48
Provision for credit losses	**1,735**	1,593	997
Charge-offs, net of recoveries	**(1,674)**	(1,636)	(877)
Balance at end of year	**$ 186**	$ 125	$ 168

Automotive finance receivables at December 31, 2009 and 2008 are recorded at fair value as described in Note 6. These balances are included with current and long-term assets of discontinued operations in the accompanying December 31, 2009 and 2008 balance sheets.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment used in continuing operations consist of the following (in thousands):

	Year Ended December 31,	
	2009	2008
Land	$ 6,629	$ 5,736
Buildings	2,629	1,002
Furniture, fixtures, equipment and leasehold improvements	93,981	84,458
	103,239	91,196

Less: accumulated depreciation	(55,259)	(49,998)
	$ 47,980	$ 41,198

NOTE 9 - ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	Year Ended December 31,	
	2009	2008
Deferred revenue	$ 4,861	$ 4,048
Accrued compensation	4,184	4,553
Sales, property and payroll withholding taxes payable	3,973	8,466
Benefits liabilities and withholding payable	932	263
Reserves for expected losses on outstanding CSO letters of credit	890	749
Noncontrolling interest in Cash & Go, Ltd. joint venture	721	779
Money order and money transfer settlements payable	38	469
Other	2,584	2,053
	$ 18,183	$ 21,380

NOTE 10 - REVOLVING CREDIT FACILITY AND NOTES PAYABLE

The Company maintains a line of credit with two commercial lenders ("the Credit Facility") in the amount of $90,000,000 with a term that extends through April 2010. The Credit Facility bears interest at the prevailing LIBOR rate (which was approximately 0.23% at December 31, 2009) plus a fixed interest rate margin of 1.375%. Amounts available under the Credit Facility are limited to 300% of the Company's earnings before income taxes, interest, depreciation and amortization for the trailing twelve months. At December 31, 2009, the Company had no amount outstanding under the Credit Facility and had $90,000,000 available for borrowings. Under the terms of the Credit Facility, the Company is required to maintain certain financial ratios and comply with certain financial covenants. The Company was in compliance with the requirements and covenants of the Credit Facility as of December 31, 2009. The Company is required to pay an annual commitment fee of 1/8 of 1% on the average daily-unused portion of the Credit Facility commitment. The Company's Credit Facility contains provisions that allow the Company to repurchase stock and/or pay cash dividends within certain parameters. Substantially all of the unencumbered assets of the Company have been pledged as collateral against indebtedness under the Credit Facility.

At December 31, 2009, the Company had notes payable to individuals arising from the Presta Max acquisition which totaled $7,689,000 in aggregate and bear interest at 5.5% per annum. The remaining balance is being paid in monthly payments of principal and interest scheduled through December 2012. Of the $7,689,000 in notes payable, $2,424,000 is classified as a current liability and $5,265,000 is classified as long-term debt.

At December 31, 2009, the Company had notes payable to individuals arising from the Auto Master acquisition which totaled $1,687,000 in aggregate and bear interest at 7% per annum, with quarterly payments of principal and interest scheduled through July 2010. All of the $1,687,000 in notes payable is classified as a current liability. As of December 31, 2009, annual maturities of the outstanding long-term debt for each of the five years after December 31, 2009 are as follows (in thousands):

Fiscal		
2010	$	4,111
2011		2,559
2012		2,706
2013		-
2014		-
Thereafter		-
	$	9,376

NOTE 11 - INCOME TAXES

Components of the provision for income taxes and the income to which it relates for the years ended December 31, 2009, 2008 and 2007 consist of the following (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Income from continuing operations before income taxes	$ 66,854	$ 58,631	$ 45,762
Current:			
Federal	$ 9,702	$ 14,849	$ 7,632
Foreign	9,564	6,131	3,751
State and local	1,479	1,030	1,150
	20,745	22,010	12,533
Deferred	4,258	(227)	4,124
	$ 25,003	$ 21,783	$ 16,657

The provision for income taxes related to discontinued operations was a $6,235,000 expense, $31,391,000 benefit and $3,541,000 expense for the years ended December 31, 2009, 2008 and 2007, respectively.

The principal current and non-current deferred tax assets and liabilities consist of the following (in thousands):

	Year Ended December 31,	
	2009	2008
Deferred tax assets:		
Foreign tax credits	$ 4,520	$ 5,592
Cumulative foreign translation adjustment	3,812	5,615
Auto Master receivables tax-basis difference	-	4,396
Receivables allowance	362	4,061
Interest accrual on pawn forfeits	733	778
Auto Master net operating loss	-	584
Unrealized currency loss	591	-
Share-based compensation	518	390

Depreciation		338		434
Other		89		416
Total deferred tax assets		10,963		22,266
Valuation allowance on deferred tax assets		-		(584)
Deferred tax assets, net		10,963		21,682
Deferred tax liabilities:				
Intangible asset amortization		13,143		12,345
Functional currency tax-basis adjustment		3,090		-
Contract discount on Auto Master receivables		-		8,552
Other		206		489
Total deferred tax liabilities		16,439		21,386
Net deferred tax assets (liablities)	$	(5,476)	$	296
Reported as:				
Prepaid expenses and other current assets	$	-	$	482
Current deferred tax liabilities		(2,186)		-
Non-current deferred tax liabilities		(3,290)		(186)
Net deferred tax assets (liabilities)	$	(5,476)	$	296

The effective rate on income from continuing operations differs from the federal statutory rate of 35%. The following is a reconciliation of such differences (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Tax at the federal statuatory rate	$ 23,399	$ 20,521	$ 16,017
State income taxes, net of federal tax benefit of **$518**, $361 and $365, respectively	961	670	727
Other, net	643	592	(87)
	$ 25,003	$ 21,783	$ 16,657

The Company reports income taxes in accordance with ASC 740-10-05-01, which addresses financial accounting and reporting for the effects of tax positions taken on the Company's income tax returns. ASC 740-10-25-06 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740-10-25-06, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740-10-25-56 also provides guidance on penalties and interest related to income taxes and requires increased disclosures. Interest and penalties related to income tax liabilities that could arise subsequent to the adoption of ASC 740-10-25-56 would be classified as interest expense in the Consolidated

Statements of Income.

As of January 1, 2009 and December 31, 2009, the Company had no unrecognized tax benefits and therefore, the Company did not have a liability for accrued interest and penalties. The Company does not believe that its unrecognized tax benefits will significantly change over the next twelve months.

The Company files federal income tax returns in the United States and Mexico, as well as various state and local income tax returns in the United States. The Company's U.S. federal and state income tax returns are not subject to examination for the tax years prior to 2006 with the exception of three states. With respect to Mexico, the years prior to 2003 are closed to examination. The Company was notified by the U.S. Internal Revenue Service in April of 2009 that its U.S. federal income tax returns for the years ended December 31, 2006 and 2007 are being examined. Additionally, one of the Mexican subsidiaries is under an income tax examination for its 2006 and 2007 tax years by a Mexican tax authority. As of the close of the calendar year, neither tax jurisdiction has proposed any adjustments.

The Company has cumulative foreign tax credits of $4,520,000 as of the end of 2009, which will expire at the end of 2018. The Company expects that it will utilize the foreign tax credits prior to their expiration.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain of its facilities and equipment under operating leases with terms generally ranging from three to five years. Most facility leases contain renewal options. Remaining future minimum rentals due under non-cancelable operating leases, including Cash & Go, Ltd., are as follows (in thousands):

Fiscal		
2010	$	21,541
2011		17,384
2012		12,796
2013		8,416
2014		4,154
Thereafter		2,412
	$	66,703

Rent expense from continuing operations under such leases was $20,217,000, $17,534,000, and $15,441,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

Litigation

The Company is from time to time a defendant (actual or threatened) in certain lawsuits and arbitration claims encountered in the ordinary course of its business, the resolution of which, in the opinion of management, should not have a materially adverse effect on the Company's financial position, results of operations, or cash flows.

Guarantees

The Company offers the CSO program to assist certain consumers, in its Texas and Maryland markets, in obtaining credit. Under the CSO program, the Company assists customers in applying for a short-term loan from an independent, non-bank, consumer lending company (the "Independent Lender") and issues the Independent Lender a letter of credit to guarantee the repayment of the loan. The loans made by the Independent Lender to credit services customers of the Company range in amount from $50 to $1,500, have terms of 7 to 180 days and bear interest at a rate

of less than 10% on an annualized basis.

These letters of credit constitute a guarantee for which the Company is required to recognize a liability for the fair value of the obligation undertaken by issuing the letters of credit. The Independent Lender may present the letter of credit to the Company for payment if the customer fails to repay the full amount of the loan and accrued interest after the due date of the loan. Each letter of credit expires approximately 30 days after the due date of the loan. The Company's maximum loss exposure under all of the outstanding letters of credit issued on behalf of its customers to the Independent Lender as of December 31, 2009 was $15,217,000 compared to $14,973,000 at December 31, 2008. According to the letter of credit, if the borrower defaults on the loan, the Company will pay the Independent Lender the principal, accrued interest, insufficient funds fee, and late fees, all of which the Company records as bad debt in the short-term advance and credit services loss provision. The Company is entitled to seek recovery directly from its customers for amounts it pays the Independent Lender in performing under the letters of credit. The Company records the estimated fair value of the liability under the letters of credit in accrued liabilities.

The Company is a contingent guarantor on certain leases assumed by third parties related to discontinued operations. The total remaining lease payments under these leases at December 31, 2009 total $711,000.

NOTE 13 - GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets having an indefinite useful life are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the assets might be impaired, using a two-step impairment assessment. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The useful lives of other intangible assets must be reassessed and the remaining amortization periods adjusted accordingly. Other than disclosed in Note 5, management does not believe any of these assets have been impaired at December 31, 2009 or 2008.

Changes in the carrying value of goodwill and other acquired intangible assets, primarily consisting of customer relationships, were as follows (in thousands):

	Goodwill	Intangible Assets	Total
December 31, 2009			
Balance, beginning of year	$ 74,547	$ 644	$ 75,191
Acquisitions (Note 4)	434	-	434
Sales of payday loan stores (Note 5)	(6,429)	-	(6,429)
Foreign currency adjustments	1,179	18	1,197
Amortization expense	-	(141)	(141)
Balance, end of year	$ 69,731	$ 521	$ 70,252
December 31, 2008			
Balance, beginning of year	$ 53,237	$ -	$ 53,237
Acquisitions (Note 4)	21,310	644	21,954
Amortization expense	-	-	-
Balance, end of year	$ 74,547	$ 644	$ 75,191

The accumulated amortization for goodwill was $8,421,000 and $8,461,000 at December 31, 2009 and 2008, respectively. The accumulated amortization for intangible assets was $145,000 and $0 at December 31, 2009 and 2008, respectively. Intangible assets, which are primarily customer relationships, are being amortized over five years based on the pattern of economic benefits provided. Estimated future amortization expense is approximately $130,000 annually over the next four years.

NOTE 14 - EQUITY COMPENSATION PLANS AND SHARE-BASED COMPENSATION

The Company has adopted equity and share-based compensation plans to attract and retain executives, directors and key employees. Under these plans, including the board-approved 1990 Stock Option Plan, the shareholder-approved 1999 Stock Option Plan and the shareholder-approved 2004 Long-Term Incentive Plan (collectively described as the "Plans"), it has granted qualified and non-qualified stock options and restricted stock to officers, directors and other key employees. In addition, the Company has previously issued warrants to purchase shares of common stock to certain key members of management, directors and other third parties.

At December 31, 2009, 475,000 shares were reserved for future grants under the Plans. Historically, stock options and warrants have been granted to purchase the Company's common stock at an exercise price equal to or greater than the fair market value at the date of grant and generally have a maximum duration of ten years. The Company typically issues shares of common stock to satisfy option and warrant exercises.

Options and warrants outstanding as of December 31, 2009, are as follows (in thousands, except exercise price and life):

Ranges of Exercise Prices	Total Warrants and Options	Weighted-Average Remaining Life	Currently Exercisable
$ 0.67 - $ 5.00	546	2.8	498
$ 5.01 - $ 10.00	254	5.5	174
$ 10.01 - $ 15.00	1,088	4.5	1,088
$ 15.01 - $ 20.00	1,640	6.1	1,640
$ 20.01 - $ 24.57	39	7.3	13
	3,567		3,413

A summary of stock option and warrant activity for the years ended December 31, 2009, 2008 and 2007 is as follows (in thousands, except exercise price):

	2009		2008		2007	
	Underlying Shares	Weighted-Average Exercise Price	Underlying Shares	Weighted-Average Exercise Price	Underlying Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	4,216	$ 12.80	4,345	$ 12.62	5,033	$ 12.58
Granted	-	-	100	10.00	35	24.14
Exercised	(599)	3.54	(161)	5.58	(583)	11.69

Canceled or forfeited	(50)	20.00	(68)	14.79	(140)	17.95
Outstanding at end of year	3,567	14.25	4,216	12.80	4,345	12.62
Exercisable at end of year	3,413	14.83	3,972	13.51	4,159	12.71

At December 31, 2009, the aggregate intrinsic value for the options outstanding was $28,399,000, of which $25,717,000 was exercisable at the end of the year, with weighted-average remaining contractual terms of 5.1 years. The aggregate intrinsic value reflects the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the period and the exercise price of the options and warrants, multiplied by the number of in-the-money options and warrants) that would have been received by the option and warrant holders had all option and warrant holders exercised their options and warrants on December 31, 2009.

The total intrinsic value of options and warrants exercised for fiscal 2009, 2008 and 2007 was $7,698,000, $943,000 and $6,749,000, respectively. The intrinsic value of the stock options and warrants exercised are based on the closing price of the Company's stock on the date of exercise. The Company typically issues shares of common stock to satisfy option and warrant exercises. The tax benefit realized from stock options and warrants exercised during the year ended December 31, 2009 was $2,759,000.

The Company granted 15,000 restricted shares during the fourth quarter of 2008 to the outside directors of the Company and the shares vested during 2009. The restricted shares had a weighted-average fair value of $14.24 per share at the date of grant and an aggregate intrinsic value of $286,000 at December 31, 2008. There were no unvested restricted shares outstanding at December 31, 2009. Holders of restricted shares generally have all the voting and other rights of other common stock shareholders.

The Company's net income includes the following compensation costs related to share-based compensation arrangements (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Gross compensation costs:			
Stock options	$ 204	$ 239	$ 233
Restricted stock	142	71	-
Total gross compensation costs	346	310	233
Income tax benefits:			
Stock options	(76)	(89)	(85)
Restricted stock	(53)	(26)	-
Total income tax benefits	(129)	(115)	(85)
Net compensation expense	$ 217	$ 195	$ 148

As of December 31, 2009, the total compensation cost related to nonvested awards not yet recognized was $354,000, and is expected to be recognized over the weighted-average period of 1.4 years.

There were no option grants in 2009. The fair value of option grants in 2008 and 2007 were estimated at the date of the grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Year Ended December 31,	
	2008	2007
Dividend yield	-	-
Expected volatility	40.0 %	32.5 %
Risk-free interest rate	1.5 %	4.3 %
Expected term of options	4.0 years	4.5 years
Weighted-average fair value of options granted	$ 3.32	$ 8.16

NOTE 15 - FIRST CASH 401(k) PROFIT SHARING PLAN

The First Cash 401(k) Profit Sharing Plan (the "Plan") is provided by the Company for all full-time, U.S.-based, employees who have been employed with the Company for six months or longer. Under the Plan, a participant may contribute up to 100% of earnings, with the Company matching the first 6% at a rate of 40%. The employee and Company contributions are paid to a corporate trustee and invested in various funds. Company contributions made to participants' accounts become fully vested upon completion of five years of service. The total Company matching contributions to the Plan were $474,000, $503,000 and $343,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

NOTE 16 - GEOGRAPHIC AREAS

The Company manages its business on the basis of one reportable segment; see Note 1 for a brief description of the Company's business. The following table shows revenue, selected current assets and long-lived assets (all non-current assets except goodwill, intangibles and deferred tax assets) by geographic area (in thousands):

		Year Ended December 31,		
		2009	2008	2007
Revenue:				
	United States	$ 190,908	$ 179,904	$ 166,734
	Mexico	175,046	140,735	100,328
		$ 365,954	$ 320,639	$ 267,062
Pawn and short-term loan customer receivables:				
	United States	$ 33,466	$ 28,050	$ 26,786
	Mexico	23,329	18,770	16,852
		$ 56,795	$ 46,820	$ 43,638
Inventories:				
	United States	$ 17,285	$ 16,717	$ 16,853
	Mexico	17,152	12,021	10,017
		$ 34,437	$ 28,738	$ 26,870

Long-lived assets:			
United States	$ 24,040	$ 24,067	$ 21,744
Mexico	25,407	18,322	17,421
	$ 49,447	$ 42,389	$ 39,165

NOTE 17 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data (in thousands, except per share data) for the fiscal years ended December 31, 2009 and 2008, are set forth below. The Company's operations are subject to seasonal fluctuations. The amounts reported below have been adjusted to reflect reclassification of the discontinued Auto Master operation and the Michigan, Texas, West Coast and D.C. short-term loan/credit services operations.

	Quarter Ended			
	March 31	June 30	September 30	December 31
2009				
Total revenue	$ 80,422	$ 82,009	$ 92,377	$ 111,146
Cost of revenue	30,800	33,437	38,747	49,490
Net revenue	49,622	48,572	53,630	61,656
Total expenses and other income	35,055	34,084	37,334	40,153
Income from continuing operations	9,207	9,148	10,242	13,254
Income from discontinued operations, net	2,036	2,402	1,732	1,743
Net income	11,243	11,550	11,974	14,997
Diluted income per share:				
Income from continuing operations	0.31	0.30	0.34	0.44
Income from discontinued operations, net	0.07	0.08	0.05	0.05
Net income	0.38	0.38	0.39	0.49
Diluted weighted average shares	29,905	30,117	30,322	30,421
2008				
Total revenue	$ 74,707	$ 76,337	$ 81,226	$ 88,369
Cost of revenue	28,007	29,802	32,275	37,826
Net revenue	46,700	46,535	48,951	50,543
Total expenses and other income	31,751	32,938	35,763	33,646
Income from continuing operations	9,436	8,572	8,332	10,508
Income (loss) from discontinued operations, net	(2,741)	(1,870)	(54,739)	966
Net income (loss)	6,695	6,702	(46,407)	11,474
Diluted income per share:				
Income from continuing operations	0.30	0.29	0.28	0.35
Income (loss) from discontinued operations, net	(0.08)	(0.06)	(1.82)	0.04
Net income (loss)	0.22	0.23	(1.54)	0.39
Diluted weighted average shares	31,105	29,837	30,014	29,909