

WORLD ACCEPTANCE CORP
Form 10-Q
February 02, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended December 31, 2011

or

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

For the transition period from _____ to _____

Commission File Number: 0-19599

WORLD ACCEPTANCE CORPORATION
(Exact name of registrant as specified in its charter.)

South Carolina
(State or other jurisdiction
of incorporation or organization)

57-0425114
(I.R.S. Employer Identification Number)

108 Frederick Street
Greenville, South Carolina 29607
(Address of principal executive offices)
(Zip Code)

(864) 298-9800
(registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or

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

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

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

The number of outstanding shares of the issuer’s no par value common stock as of February 2, 2012 was 14,867,925.

WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES

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Introductory Note: As used herein, the “Company,” “we,” “our,” “us,” or similar formulations include World Acceptance Corporation and each of its subsidiaries, except that unless otherwise expressly noted or the context otherwise requires, when used with reference to the common stock or other securities described herein and in describing the positions held by management or agreements of the Company, it includes only World Acceptance Corporation. All references in this report to “fiscal 2011” are to the Company’s fiscal year ended March 31, 2011.

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WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

| | December 31, 2011 | March 31, 2011 |
|--|----------------------|----------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 14,265,523 | 8,030,580 |
| Gross loans receivable | 1,066,077,904 | 875,045,680 |
| Less: | | |
| Unearned interest and fees | (287,848,599) | (228,974,132) |
| Allowance for loan losses | (61,118,863) | (48,354,994) |
| Loans receivable, net | 717,110,442 | 597,716,554 |
| Property and equipment, net | 22,820,385 | 23,366,207 |
| Deferred taxes | 20,631,658 | 14,480,025 |
| Other assets, net | 10,366,926 | 10,804,113 |
| Goodwill | 5,634,586 | 5,634,586 |
| Intangible assets | 5,723,550 | 6,364,890 |
| Total assets | \$ 796,553,070 | 666,396,955 |
| LIABILITIES & SHAREHOLDERS' EQUITY | | |
| Liabilities: | | |
| Senior revolving notes payable | 278,915,000 | 82,250,000 |
| Convertible senior subordinated notes payable | - | 77,000,000 |
| Discount on convertible subordinated notes payable | - | (1,819,600) |
| Net of discount | - | 75,180,400 |
| Junior subordinated note payable | 50,000,000 | 30,000,000 |
| Income taxes payable | 5,442,895 | 13,097,419 |
| Accounts payable and accrued expenses | 22,684,593 | 23,293,967 |
| Total liabilities | 357,042,488 | 223,821,786 |
| Shareholders' equity: | | |
| Preferred stock, no par value Authorized 5,000,000, no shares issued or outstanding | - | - |
| Common stock, no par value Authorized 95,000,000 shares; issued and outstanding 14,855,925 and 15,711,365 shares at December 31, 2011 and March 31, 2011, respectively | - | - |
| Additional paid in capital | 61,625,663 | 47,352,738 |
| Retained earnings | 384,170,200 | 395,086,232 |
| Accumulated other comprehensive (loss) income | (6,285,281) | 136,199 |
| Total shareholders' equity | 439,510,582 | 442,575,169 |
| Commitments and contingencies | | |
| | \$ 796,553,070 | 666,396,955 |

See accompanying notes to consolidated financial statements.

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WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three months ended December 31, | | Nine months ended December 31, | |
|--|------------------------------------|--------------------|-----------------------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | |
| Interest and fee income | \$117,112,842 | 109,462,166 | 340,693,868 | 309,249,964 |
| Insurance commissions and other income | 18,833,629 | 16,577,751 | 50,547,636 | 45,253,208 |
| Total revenues | 135,946,471 | 126,039,917 | 391,241,504 | 354,503,172 |
| Expenses: | | | | |
| Provision for loan losses | 36,109,128 | 31,961,952 | 89,005,511 | 78,935,264 |
| General and administrative expenses: | | | | |
| Personnel | 42,097,880 | 38,936,367 | 127,475,303 | 116,021,038 |
| Occupancy and equipment | 8,343,121 | 7,833,837 | 25,281,745 | 22,915,645 |
| Advertising | 5,854,480 | 5,272,566 | 11,336,222 | 10,341,697 |
| Amortization of intangible assets | 414,913 | 479,839 | 1,281,910 | 1,496,661 |
| Other | 9,523,762 | 8,870,428 | 26,835,766 | 24,006,263 |
| Total general and administrative expenses | 66,234,156 | 61,393,037 | 192,210,946 | 174,781,304 |
| Interest expense | 3,338,048 | 3,803,333 | 10,668,984 | 11,253,129 |
| Total expenses | 105,681,332 | 97,158,322 | 291,885,441 | 264,969,697 |
| Income before income taxes | 30,265,139 | 28,881,595 | 99,356,063 | 89,533,475 |
| Income taxes | 10,683,304 | 10,817,534 | 36,288,206 | 32,520,472 |
| Net income | \$19,581,835 | 18,064,061 | 63,067,857 | 57,013,003 |
| Net income per common share: | | | | |
| Basic | \$1.33 | 1.15 | 4.19 | 3.60 |
| Diluted | \$1.30 | 1.12 | 4.08 | 3.52 |
| Weighted average common shares outstanding: | | | | |
| Basic | 14,747,139 | 15,704,165 | 15,046,415 | 15,828,309 |
| Diluted | 15,119,679 | 16,103,482 | 15,453,573 | 16,203,233 |

See accompanying notes to consolidated financial statements.

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WORLD ACCEPTANCE CORPORATION
and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

| | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss), net | Total Shareholders' Equity | Total Comprehensive Income (Loss) |
|--|----------------------------------|----------------------|--|----------------------------------|---|
| Balances at March 31, 2010 | \$27,112,822 | 357,179,568 | (1,344,436) | 382,947,954 | |
| Proceeds from exercise of stock options (447,250 shares), including tax benefits of \$1,923,628 related to these stock exercises | 13,806,260 | - | - | 13,806,260 | |
| Common stock repurchases (1,298,057 shares) | - | (53,342,516) | - | (53,342,516) | |
| Issuance of restricted common stock under stock option plan (54,951 shares) | 1,485,359 | - | - | 1,485,359 | |
| Stock option expense | 3,855,348 | - | - | 3,855,348 | |
| Proceeds from the sale of the call option and warrants associated with the convertible notes | 1,092,949 | - | - | 1,092,949 | |
| Other comprehensive income | - | - | 1,480,635 | 1,480,635 | 1,480,635 |
| Net income | - | 91,249,180 | - | 91,249,180 | 91,249,180 |
| Total comprehensive income | - | - | - | - | 92,729,815 |
| Balances at March 31, 2011 | \$47,352,738 | 395,086,232 | 136,199 | 442,575,169 | |
| Proceeds from exercise of stock options (268,000 shares), including excess tax benefit of \$914,886 related to these stock exercises | 9,375,695 | - | - | 9,375,695 | |
| Common stock repurchases (1,167,245 shares) | - | (73,983,889) | - | (73,983,889) | |
| Issuance of restricted common stock under stock option plan (60,416 shares) | 1,180,922 | - | - | 1,180,922 | |
| Stock option expense | 3,716,308 | - | - | 3,716,308 | |
| Other comprehensive loss | - | - | (6,421,480) | (6,421,480) | (6,421,480) |
| Net income | - | 63,067,857 | - | 63,067,857 | 63,067,857 |
| Total comprehensive income | - | - | - | - | 56,646,377 |
| Balances at December 31, 2011 | \$61,625,663 | 384,170,200 | (6,285,281) | 439,510,582 | |

See accompanying notes to consolidated financial statements.

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WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Nine months ended December 31, | |
|---|-----------------------------------|----------------|
| | 2011 | 2010 |
| Cash flow from operating activities: | | |
| Net income | \$63,067,857 | 57,013,003 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Amortization of intangible assets | 1,281,910 | 1,496,661 |
| Amortization of loan costs and discounts | 280,043 | 317,662 |
| Provision for loan losses | 89,005,511 | 78,935,264 |
| Amortization of convertible note discount | 1,819,600 | 2,748,803 |
| Depreciation | 4,773,549 | 4,443,265 |
| Deferred income tax benefits | (6,683,729) | (4,364,057) |
| Compensation related to stock option and restricted stock plans | 4,897,230 | 3,941,794 |
| Unrealized gains on interest rate swap | (319,235) | (920,537) |
| Change in accounts: | | |
| Other assets | (104,144) | (1,341,635) |
| Income taxes payable | (7,583,342) | (5,932,008) |
| Accounts payable and accrued expenses | (137,087) | 1,997,396 |
| Net cash provided by operating activities | 150,298,163 | 138,335,611 |
| Cash flows from investing activities: | | |
| Increase in loans receivable, net | (210,760,223) | (202,048,635) |
| Net assets acquired from office acquisitions, primarily loans | (2,419,787) | (2,919,688) |
| Increase in intangible assets from acquisitions | (640,570) | (709,273) |
| Purchases of property and equipment, net | (4,752,260) | (4,807,311) |
| Net cash used in investing activities | (218,572,840) | (210,484,907) |
| Cash flow from financing activities: | | |
| Proceeds from senior revolving notes payable, net | 196,665,000 | 79,450,000 |
| Repayment of the convertible senior subordinated notes payable | (77,000,000) | - |
| Proceeds from junior subordinated note payable | 20,000,000 | 30,000,000 |
| Loan cost associated with junior subordinated note payable | - | (487,500) |
| Proceeds from exercise of stock options | 8,460,809 | 5,429,903 |
| Repurchase of common stock | (73,983,889) | (35,941,141) |
| Excess tax benefit from exercise of stock options | 914,886 | 1,077,055 |
| Net cash provided by financing activities | 75,056,806 | 79,528,317 |
| Increase in cash and cash equivalents | 6,782,129 | 7,379,021 |

| | | |
|--|--------------|------------|
| Effects of foreign currency fluctuations on cash | (547,186) | 39,329 |
| Cash and cash equivalents at beginning of period | 8,030,580 | 5,445,168 |
| Cash and cash equivalents at end of period | \$14,265,523 | 12,863,518 |

See accompanying notes to consolidated financial statements.

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WORLD ACCEPTANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION

The consolidated financial statements of the Company at December 31, 2011, and for the three and nine months then ended, were prepared in accordance with the instructions for Form 10-Q and are unaudited; however, in the opinion of management, all adjustments (consisting only of items of a normal recurring nature) necessary for a fair presentation of the financial position at December 31, 2011, and the results of operations and cash flows for the periods ended December 31, 2011 and 2010, have been included. The results for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

Certain reclassification entries have been made for fiscal 2011 to conform to fiscal 2012 presentation. These reclassifications had no impact on shareholders' equity and comprehensive income (loss) or net income.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated financial statements do not include all disclosures required by U.S. generally accepted accounting principles and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the fiscal year ended March 31, 2011, included in the Company's 2011 Annual Report to Shareholders.

NOTE 2 – SUMMARY OF SIGNIFICANT POLICIES

New Accounting Pronouncements Adopted

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

Accounting Standards Update (ASU) No. 2010-20 (ASU 2010-20), "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses," requires companies to provide more information in their disclosures about the credit quality of their financing receivables and the credit reserves held against them. ASU 2010-20 is intended to improve transparency in financial reporting by public and nonpublic companies that hold financing receivables, which include loans, lease receivables, and other long-term receivables. The disclosures required under ASU 2010-20 are included in Note 5.

Intangibles – Goodwill and Other

In December 2010, the Financial Accounting Standards Board (FASB) issued an accounting pronouncement related to intangibles – goodwill and other (FASB Accounting Standards Codification (ASC) Topic 350), which requires a company to consider whether there are any adverse qualitative factors indicating that an impairment may exist in performing step 2 of the impairment test for reporting units with zero or negative carrying amounts. The provisions of this pronouncement are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010, with no early adoption. The adoption of this pronouncement beginning with the quarter ended June 30, 2011 did not have a material impact on the Company's consolidated financial statements.

A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring

In April 2011, the FASB issued an accounting pronouncement (ASU 2011-02) related to when a creditor's determination is considered a troubled debt restructuring, which amends guidance for evaluating whether the restructuring of a receivable by a creditor is a troubled debt restructuring. ASU 2011-02 responds to concerns that creditors are inconsistently applying existing guidance for identifying troubled debt restructurings. ASU 2011-02 is effective for a public entity for the first interim or annual period beginning on or after June 15, 2011. Retrospective application is required for restructurings occurring on or after the beginning of the fiscal year of adoption for purposes of identifying and disclosing the troubled debt restructuring. At the same time, the Company is required to disclose the activity-based information about troubled debt restructurings that was previously deferred by FASB ASU No. 2011-1, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20. The early adoption of this pronouncement beginning with the quarter ended June 30, 2011 did not have a material impact on the Company's consolidated financial statements.

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Recently Issued Accounting Pronouncements

Fair Value Measurement

In May 2011, the FASB issued an accounting pronouncement (ASU 2011-04) related to fair value measurement (FASB ASC Topic 820), which amends current guidance to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. The amendments generally represent clarification of FASB ASC Topic 820, but also include instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company will adopt this pronouncement for the Company's fiscal year beginning April 1, 2012. The Company does not expect this pronouncement to have a material effect on the Company's consolidated financial statements.

Comprehensive Income

In June 2011, the FASB issued an accounting pronouncement that provides new guidance on the presentation of comprehensive income (FASB ASC Topic 220) in financial statements. Entities are required to present total comprehensive income either in a single, continuous statement of comprehensive income or in two separate, but consecutive statements. Under the single-statement approach, entities must include the components of net income, a total for net income, the components of other comprehensive income and a total for comprehensive income. Under the two-statement approach, entities must report an income statement and, immediately following, a statement of other comprehensive income. Under either method, entities must display adjustments for items reclassified from other comprehensive income to net income in both net income and other comprehensive income. The provisions for this pronouncement are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The Company will adopt this pronouncement for the Company's fiscal year beginning April 1, 2012.

Testing Goodwill for Impairment

ASU 2011-08, "Testing Goodwill for Impairment," permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it need not perform the two-step impairment test. The ASU is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company will adopt this pronouncement for the Company's fiscal year beginning April 1, 2012.

NOTE 3 – FAIR VALUE

Fair Value Disclosures

The Company carries certain financial instruments (derivative assets and liabilities) at fair value on a recurring basis. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Financial assets and liabilities measured at fair value are grouped in three levels. The levels prioritize the inputs used to measure the fair value of the assets or liabilities. These levels are:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are less active.

Level 3 – Unobservable inputs for assets or liabilities reflecting the reporting entity's own assumptions.

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The following financial liabilities were measured at fair value on a recurring basis at March 31, 2011:

| | | Fair Value Measurements Using | | |
|-----------------------------------|------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Interest rate swap March 31, 2011 | \$ 319,235 | \$ - | \$ 319,235 | \$ - |

The Company's interest rate swap was valued using the "income approach" valuation technique. This method used valuation techniques to convert future amounts to a single present amount. The measurement was based on the value indicated by current market expectations about those future amounts. As of December 31, 2011 the Company had no outstanding interest rate swaps.

Fair Value of Long-Term Debt

The book value and estimated fair value of the Company's long-term debt was as follows (in thousands):

| | December 31, 2011 | March 31, 2011 |
|----------------------------------|-------------------------|-------------------|
| Book value: | | |
| Senior notes payable | \$ 278,915 | 82,250 |
| Junior subordinated note payable | 50,000 | 30,000 |
| Convertible notes | - | 75,180 |
| | \$ 328,915 | 187,430 |
| Estimated fair value: | | |
| Senior notes payable | \$ 278,915 | 82,250 |
| Junior subordinated note payable | 50,000 | 30,000 |
| Convertible notes | - | 85,616 |
| | \$ 328,915 | 197,866 |

The difference between the estimated fair value of long-term debt compared with its historical cost reported in the Company's Condensed Consolidated Balance Sheet at March 31, 2011 related primarily to market quotations for the Company's 3% Convertible Senior Subordinated Notes which matured October 1, 2011.

The carrying value of the senior notes payable and the junior subordinated note payable approximated the fair value, as the notes payable are at a variable interest rate.

There were no assets or liabilities measured at fair value on a non-recurring basis during the first nine months of fiscal 2012 or fiscal 2011.

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NOTE 4 – COMPREHENSIVE INCOME

The Company applies the provisions of FASB ASC Topic 220-10. The following summarizes accumulated other comprehensive income (loss):

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|------------------------------------|-------------|-----------------------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| Balance at beginning of period | \$(4,947,256) | (1,421,121) | 136,199 | (1,344,436) |
| Unrealized (loss) income from foreign exchange translation adjustment | (1,338,025) | 250,334 | (6,421,480) | 173,649 |
| Balance at end of period | \$(6,285,281) | (1,170,787) | (6,285,281) | (1,170,787) |

NOTE 5 – ALLOWANCE FOR LOAN LOSSES

The following is a summary of the changes in the allowance for loan losses for the periods indicated (unaudited):

| | Three months ended December 31, | | Nine months ended December 31, | |
|--------------------------------|------------------------------------|--------------|-----------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Balance at beginning of period | \$ 54,164,473 | 48,343,421 | 48,354,994 | 42,896,819 |
| Provision for loan losses | 36,109,128 | 31,961,952 | 89,005,511 | 78,935,264 |
| Loan losses | (31,538,663) | (29,203,952) | (82,944,607) | (74,941,242) |
| Recoveries | 2,462,103 | 2,137,152 | 7,210,318 | 6,349,090 |
| Translation adjustment | (78,178) | 17,284 | (507,353) | 15,926 |
| Balance at end of period | \$ 61,118,863 | 53,255,857 | 61,118,863 | 53,255,857 |

The Company follows FASB ASC Topic 310, which prohibits carryover or creation of valuation allowances in the initial accounting of all loans acquired in a transfer that are within the scope of this accounting literature. The Company believes that a loan has shown deterioration if it is over 60 days delinquent. The Company believes that loans acquired since the adoption of FASB ASC Topic 310 have not shown evidence of deterioration of credit quality since origination, and therefore, are not within the scope of FASB ASC Topic 310 because the Company did not pay consideration for, or record, acquired loans over 60 days delinquent. Loans acquired that are more than 60 days past due are included in the scope of the accounting literature and therefore, subsequent refinances or restructures of these loans would not be accounted for as a new loan.

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The following is a summary of loans individually and collectively evaluated for impairment for the period indicated:

| | As of December 31, 2011 | As of March 31, 2011 | As of December 31, 2010 |
|--|-------------------------------|----------------------------|-------------------------------|
| Bankruptcy, gross loans | \$ 5,850,341 | 4,810,026 | 5,424,472 |
| 91 days or more delinquent, excluding bankruptcy | 22,784,021 | 16,236,862 | 17,656,915 |
| Total loans (gross) individually evaluated for impairment | \$ 28,634,362 | 21,046,888 | 23,081,387 |
| Unearned interest and fees | (5,655,260) | (3,649,341) | (4,283,090) |
| Total loans (net) individually evaluated for impairment | \$ 22,979,102 | 17,397,547 | 18,798,297 |
| Allowance for impaired loans | (22,979,102) | (16,829,496) | (18,176,825) |
| | \$ - | 568,051 | 621,472 |
| Total loans collectively evaluated for impairment | \$ - | - | - |

The following is an assessment of the credit quality for the period indicated (unaudited):

| | December 31, 2011 | March 31, 2011 | December 31, 2010 |
|---|----------------------|-------------------|----------------------|
| Credit risk profile by creditworthiness category | | | |
| Consumer loans- non-bankrupt accounts | \$ 1,060,227,563 | 870,235,654 | 960,009,758 |
| Consumer loans- bankrupt accounts | 5,850,341 | 4,810,026 | 5,424,472 |
| Total gross loans | \$ 1,066,077,904 | 875,045,680 | 965,434,230 |
| Consumer credit exposure | | | |
| Credit risk profile based on payment activity | | | |
| Performing | \$ 1,019,834,095 | 841,856,489 | 927,047,239 |
| Contractual non-performing, 61 or more days delinquent | 46,243,809 | 33,189,191 | 38,386,991 |
| Total gross loans | \$ 1,066,077,904 | 875,045,680 | 965,434,230 |
| Delinquent renewals | \$ 22,354,349 | 19,330,235 | 20,743,902 |
| Credit risk profile based on customer type | | | |
| New borrower | \$ 145,258,224 | 101,948,334 | 138,392,071 |
| Former borrower | 91,050,042 | 68,628,863 | 78,779,045 |
| Refinance | 807,415,289 | 685,138,248 | 727,519,212 |

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| | | | |
|----------------------|------------------|-------------|-------------|
| Delinquent refinance | 22,354,349 | 19,330,235 | 20,743,902 |
| Total gross loans | \$ 1,066,077,904 | 875,045,680 | 965,434,230 |

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The following is a summary of the past due receivables as of (unaudited):

| | December 31, 2011 | March 31, 2011 | December 31, 2010 |
|---|----------------------|-------------------|----------------------|
| Recency basis: | | | |
| 30-60 days past due | \$ 30,909,259 | 21,533,219 | 29,278,452 |
| 61-90 days past due | 19,265,876 | 12,894,240 | 17,561,376 |
| 91 days or more past due | 12,614,281 | 8,297,319 | 9,212,946 |
| Total | \$ 62,789,416 | 42,724,778 | 56,052,774 |
| Percentage of period-end gross loans receivable | 5.9 % | 4.9 % | 5.8 % |
| Contractual basis: | | | |
| 30-60 days past due | \$ 32,995,879 | 23,705,287 | 31,621,398 |
| 61-90 days past due | 23,108,341 | 16,564,121 | 20,440,706 |
| 91 days or more past due | 23,135,468 | 16,625,070 | 17,946,285 |
| Total | \$ 79,239,688 | 56,894,478 | 70,008,389 |
| Percentage of period-end gross loans receivable | 7.4 % | 6.5 % | 7.3 % |

NOTE 6 – AVERAGE SHARE INFORMATION

The following is a summary of the basic and diluted average common shares outstanding:

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|------------------------------------|------------|-----------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Basic: | | | | |
| Weighted average common shares outstanding (denominator) | 14,747,139 | 15,704,165 | 15,046,415 | 15,828,309 |
| Diluted: | | | | |
| Weighted average common shares outstanding | 14,747,139 | 15,704,165 | 15,046,415 | 15,828,309 |
| Dilutive potential common shares | 372,540 | 399,317 | 395,233 | 374,924 |
| Conversion premium on convertible notes | - | - | 11,925 | - |
| Weighted average diluted shares outstanding (denominator) | 15,119,679 | 16,103,482 | 15,453,573 | 16,203,233 |

Options to purchase 47,219 and 48,917 shares of common stock at various prices were outstanding during the three months ended December 31, 2011 and 2010, respectively, but were not included in the computation of diluted earnings per share (“EPS”) because the options are anti-dilutive. Options to purchase 16,468 and 21,554 shares of common stock at various prices were outstanding during the nine months ended December 31, 2011 and 2010, respectively, but were not included in the computation of diluted EPS because the options were anti-dilutive.

During the three months and the nine months ended December 31, 2011 and 2010, the warrants related to the convertible notes payable were not included in the computation of dilutive earnings per share because the effect of such instruments was anti-dilutive. The warrants have a strike price of \$73.97 and are generally exercisable at any time through February 9, 2012. The Company issued and sold the warrants in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, by virtue of section 4(2) thereof. There were no underwriting commissions or discounts in connection with the sale of the warrants.

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NOTE 7 – STOCK-BASED COMPENSATION

Stock Option Plans

The Company has a 1994 Stock Option Plan, a 2002 Stock Option Plan, a 2005 Stock Option Plan, a 2008 Stock Option Plan and a 2011 Stock Option Plan for the benefit of certain directors, officers, and key employees. Under these plans, 6,350,000 shares of authorized common stock have been reserved for issuance pursuant to grants approved by the Compensation and Stock Option Committee of the Board of Directors. Stock options granted under these plans have a maximum duration of 10 years and may be subject to certain vesting requirements, which are generally five years. Restricted stock granted under these plans is generally for directors and certain key officers with vesting requirements of up to three years. Stock options and restricted stock granted under these plans are priced at the market value of the Company's common stock on the date of the grant. At December 31, 2011, there were 1,467,988 shares available for grant under the plans.

Stock based compensation is recognized as provided under FASB ASC Topic 718-10 and FASB ASC Topic 505-50. FASB ASC Topic 718-10 requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense over the requisite service period (generally the vesting period) in the financial statements based on their fair values. The impact of forfeitures that may occur prior to vesting is also estimated and considered in the amount recognized. Stock option compensation is recognized as an expense over the unvested portion of all stock option awards granted based on the fair values estimated at grant date in accordance with the provisions of FASB ASC Topic 718-10. The Company has applied the Black-Scholes valuation model in determining the fair value of the stock option awards. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated based on historical experience and future expectations.

The weighted-average fair value at the grant date for options issued during the three and nine months ended December 31, 2011 was \$36.15. The weighted-average fair value at the grant date for options issued during the three and nine months ended December 31, 2010 was \$23.96. This fair value was estimated at grant date using the weighted-average assumptions listed below.

| | Three months ended December 31, | | | | Nine months ended December 31, | | | |
|---------------------------------|------------------------------------|---|-----------|---|-----------------------------------|---|-----------|---|
| | 2011 | | 2010 | | 2011 | | 2010 | |
| Dividend yield | 0 | % | 0 | % | 0 | % | 0 | % |
| Expected volatility | 56.85 | % | 57.41 | % | 56.85 | % | 57.41 | % |
| Average risk-free interest rate | 1.12 | % | 1.55 | % | 1.12 | % | 1.55 | % |
| Expected life | 6.0 years | | 6.4 years | | 6.0 years | | 6.4 years | |
| Vesting period | 5 years | | 5 years | | 5 years | | 5 years | |

The expected stock price volatility is based on the historical volatility of the Company's stock for a period approximating the expected life. The expected life represents the period of time that options are expected to be outstanding after their grant date. The risk-free rate reflects the interest rate at grant date on zero-coupon U.S. governmental bonds having a remaining life similar to the expected option term.

Option activity for the nine months ended December 31, 2011 was as follows:

| Shares | Weighted Average | Weighted Average | Aggregate Intrinsic Value |
|--------|---------------------|---------------------|------------------------------|
|--------|---------------------|---------------------|------------------------------|

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| | | Exercise Price | Remaining Contractual Term | |
|--|------------|-------------------|----------------------------------|---------------|
| Options outstanding, beginning of year | 1,178,600 | \$ 30.02 | | |
| Granted | 224,550 | 67.70 | | |
| Exercised | (268,000) | 31.57 | | |
| Forfeited | (22,810) | 33.39 | | |
| Options outstanding, end of period | 1,112,340 | \$ 37.18 | 7.18 | \$ 40,353,080 |
| Options exercisable, end of period | 347,230 | \$ 26.31 | 4.35 | \$ 16,373,662 |

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The aggregate intrinsic value reflected in the table above represents the total pre-tax intrinsic value (the difference between the closing stock price on December 31, 2011 and the exercise price, multiplied by the number of in-the-money options) that would have been received by option holders had all option holders exercised their options as of December 31, 2011. This amount will change as the stock's market price changes. The total intrinsic value of options exercised during the periods ended December 31, 2011 and 2010 was as follows:

| | December 31, 2011 | December 31, 2010 |
|--------------------|----------------------|----------------------|
| Three months ended | \$ 7,051,893 | 3,861,220 |
| Nine months ended | \$ 9,452,314 | 5,671,238 |

As of December 31, 2011, total unrecognized stock-based compensation expense related to non-vested stock options amounted to approximately \$13.8 million, which is expected to be recognized over a weighted-average period of approximately 4.2 years.

Restricted Stock

On November 7, 2011, the Company granted 15,077 shares of restricted stock (which are equity classified), with a grant date fair value of \$67.70 per share, to certain executive officers. One-third of the restricted stock vested immediately and one-third will vest on November 7, 2012 and 2013, respectively. On that same date, the Company granted an additional 24,200 shares of restricted stock (which are equity classified), with a grant date fair value of \$67.70 per share, to certain officers. One-third of the restricted stock will vest on November 7, 2012, 2013 and 2014, respectively. On that same date, the Company granted an additional 11,139 shares of restricted stock (which are equity classified), with a grant date fair value of \$67.70 per share, to certain executive officers. The 11,139 shares will vest on April 30, 2014 based on the Company's compounded annual EPS growth according to the following schedule:

| Vesting Percentage | Compounded Annual EPS Growth |
|-----------------------|------------------------------------|
| 100% | 15% or higher |
| 67% | 12% - 14.99% |
| 33% | 10% - 11.99% |
| 0% | Below 10% |

On April 29, 2011, the Company granted 10,000 shares of restricted stock (which are equity classified) with a grant date fair value of \$67.95 per share to its independent directors. All of the shares granted vested immediately.

On November 8, 2010, the Company granted 29,080 shares of restricted stock (which are equity classified), with a grant date fair value of \$43.04 per share, to certain officers. One-third of the restricted stock vested immediately and one-third vested on November 8, 2011 and the final third is scheduled to vest on November 8, 2012, respectively. On that same date, the Company granted an additional 15,871 shares of restricted stock (which are equity classified), with a grant date fair value of \$43.04 per share, to certain executive officers. The 15,871 shares will vest on April 30, 2013 based on the Company's compounded annual EPS growth according to the following schedule:

| Vesting Percentage | Compounded Annual EPS Growth |
|-----------------------|------------------------------------|
| 100% | 15% or higher |

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| | |
|-----|--------------|
| 67% | 12% - 14.99% |
| 33% | 10% - 11.99% |
| 0% | Below 10% |

On April 30, 2010, the Company granted 10,000 shares of restricted stock (which are equity classified) with a grant date fair value of \$35.28 per share to its independent directors. All of the shares granted vested immediately.

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On November 9, 2009, the Company granted 41,346 shares of restricted stock (which are equity classified), with a grant date fair value of \$26.73 per share, to certain officers. One-third of the restricted stock vested immediately, one-third vested on November 9, 2010 and the final third vested on November 9, 2011. On that same date, the Company granted an additional 23,159 shares of restricted stock (which are equity classified), with a grant date fair value of \$26.73 per share, to certain executive officers. The 23,159 shares will vest on April 30, 2012 based on the Company's compounded annual EPS growth according to the following schedule:

| Vesting Percentage | Compounded Annual EPS Growth |
|--------------------|------------------------------|
| 100% | 15% or higher |
| 67% | 12% - 14.99% |
| 33% | 10% - 11.99% |
| 0% | Below 10% |

On November 10, 2008, the Company granted 50,000 shares of restricted stock (which are equity classified), with a grant date fair value of \$16.85 per share, to certain officers. One-third of the restricted stock vested immediately, and one-third vested on November 10, 2009 and 2010, respectively. On that same date, the Company granted an additional 29,100 shares of restricted stock (which are equity classified), with a grant date fair value of \$16.85 per share, to certain executive officers. All 29,100 shares vested on November 10, 2011 based on the Company's achievement of compounded annual EPS growth of 15% or higher during the award measurement period.

Compensation expense related to restricted stock is based on the number of shares expected to vest and the fair market value of the common stock on the grant date. The Company recognized \$849,000 and \$775,000, respectively, of compensation expense for the three months ended December 31, 2011 and 2010 and recognized \$2.3 million and \$1.8 million, respectively, for the nine months ended December 31, 2011 and 2010 related to restricted stock, which is included as a component of general and administrative expenses in the Company's Consolidated Statements of Operations. All shares are expected to vest.

As of December 31, 2011, there was approximately \$3.5 million of unrecognized compensation cost related to unvested restricted stock awards granted, which is expected to be recognized over the next 2.3 years.

A summary of the status of the Company's restricted stock as of December 31, 2011, and changes during the nine months ended December 31, 2011, are presented below:

| | Shares | Weighted Average Fair Value at Grant Date |
|----------------------------------|-----------|---|
| Outstanding at March 31, 2011 | 59,836 | \$ 22.62 |
| Granted during the period | 60,416 | 67.74 |
| Vested during the period | (67,554) | 34.02 |
| Cancelled during the period | (16,611) | 67.14 |
| Outstanding at December 31, 2011 | 36,087 | \$ 67.54 |

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Total share-based compensation included as a component of net income during the three months and nine months ended December 31, 2011 and 2010 was as follows:

| | Three months ended December 31, | | Nine months ended December 31, | |
|--|------------------------------------|-----------|-----------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Share-based compensation related to equity classified units: | | | | |
| Share-based compensation related to stock options | \$2,050,346 | 1,063,397 | 3,716,308 | 2,812,981 |
| Share-based compensation related to restricted stock | 848,506 | 774,746 | 2,296,183 | 1,756,175 |
| Total share-based compensation related to equity classified awards | \$2,898,852 | 1,838,143 | 6,012,491 | 4,569,156 |

NOTE 8 – ACQUISITIONS

The following table sets forth the acquisition activity of the Company for the nine months ended December 31, 2011 and 2010:

| | 2011 | 2010 |
|--|--------------|-----------|
| Number of offices purchased | 1 | 6 |
| Merged into existing offices | 19 | 11 |
| Purchase price | \$ 3,060,356 | 3,628,961 |
| Tangible assets: | | |
| Net loans | 2,412,286 | 2,915,688 |
| Furniture, fixtures & equipment | 7,500 | 4,000 |
| Excess of purchase prices over carrying value of net tangible assets | \$ 640,570 | 709,273 |
| Customer lists | 565,570 | 574,674 |
| Non-compete agreements | 75,000 | 91,000 |
| Goodwill | - | 43,599 |
| Total intangible assets | \$ 640,570 | 709,273 |

The Company evaluates each acquisition to determine if the acquired assets meet the definition of a business. The acquired assets that meet the definition of a business are accounted for as a business combination under FASB ASC Topic 805-10 and all other acquisitions are accounted for as asset purchases. All acquisitions have been from independent third parties.

When the acquisition results in a new office, the Company records the transaction as a business combination, since the office acquired will continue to generate loans. The Company typically retains the existing employees and the office location. The purchase price is allocated to the estimated fair value of the tangible assets acquired and to the estimated fair value of the identified intangible assets acquired (generally non-compete agreements and customer lists). The remainder is allocated to goodwill. During the nine months ended December 31, 2011, one acquisition was recorded as a business combination.

When the acquisition is of a portfolio of loans only, the Company records the transaction as an asset purchase. In an asset purchase, no goodwill is recorded. The purchase price is allocated to the estimated fair value of the tangible and

intangible assets acquired. During the nine months ended December 31, 2011, 19 acquisitions were recorded as asset acquisitions.

The Company's acquisitions include tangible assets (generally loans, furniture and equipment) and intangible assets (generally non-compete agreements, customer lists, and goodwill), both of which are recorded at their fair values, which are estimated pursuant to the processes described below.

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Acquired loans are valued at the net loan balance. Given the short-term nature of these loans, generally four months, and that these loans are subject to continual repricing at current rates, management believes the net loan balances approximate their fair value.

Furniture and equipment are valued at the specific purchase price as agreed to by both parties at the time of acquisition, which management believes approximates their fair values.

Non-compete agreements are valued at the stated amount paid to the other party for these agreements, which the Company believes approximates their fair values. The fair value of the customer lists is based on a valuation model that utilizes the Company's historical data to estimate the value of any acquired customer lists. In a business combination the remaining excess of the purchase price over the fair value of the tangible assets, customer list, and non-compete agreements is allocated to goodwill. The offices the Company acquires are small, privately owned offices, which do not have sufficient historical data to determine attrition. The Company believes that the customers acquired have the same characteristics and perform similarly to its customers. Therefore, the Company utilized the attrition patterns of its customers when developing the method. This method is re-evaluated periodically.

Customer lists are allocated at an office level and are evaluated for impairment at an office level when a triggering event occurs, in accordance with FASB ASC Topic 360-10-05. If a triggering event occurs, the impairment loss to the customer list is generally the remaining unamortized customer list balance. In most acquisitions, the original fair value of the customer list allocated to an office is less than \$100,000, and management believes that in the event a triggering event were to occur, the impairment loss to an unamortized customer list would be immaterial.

The results of all acquisitions have been included in the Company's consolidated financial statements since the respective acquisition dates. The pro forma impact of these purchases as though they had been acquired at the beginning of the periods presented would not have a material effect on the results of operations as reported.

NOTE 9 – DEBT

Amended and Restated Revolving Credit Facility

On August 31, 2011, the Company entered into a First Amendment (the "Amendment") to the Amended and Restated Revolving Credit Agreement, dated as of September 17, 2010, as amended (as so amended and restated, the "Revolving Credit Agreement"), among the Company, the lenders named therein, and Bank of Montreal, as Administrative Agent. The Amendment amends the Revolving Credit Agreement by extending its term through August 31, 2013 and changing the revolving credit commitment amount up to \$300.0 million. In addition, the commitment fee on the unused portion of the commitment was increased from 0.375% to 0.4% per annum.

The Company may borrow, at its option, at the bank's rate of the bank's prime (bank's prime rate is defined as prime plus 1%) or LIBOR plus 3.0% with a minimum of 4.0%. At December 31, 2011 and March 31, 2011, the bank's prime interest rate was 4.25%, and the unused amount available under the Revolver Credit Agreement at December 31, 2011 was \$21,085,000.

Substantially all of the Company's assets are pledged as collateral for borrowings under the revolving credit agreement.

Junior Subordinated Note Payable

On September 17, 2010, the Company entered into a \$75.0 million Junior Subordinated Note Payable with Wells Fargo Preferred Capital. ("Wells Fargo") providing for a non-revolving line of credit maturing on September 17,

2015. Wells Fargo is also a lender under the Revolving Credit Agreement.

Funds borrowed under the Junior Subordinated Note Payable bear interest at LIBOR plus 4.875% per annum. At December 31, 2011, the interest rate on borrowings under the Junior Subordinated Note Payable was 5.1%. The Company is required to pay an unused line fee at a rate between 25 basis points and 37.5 basis points per annum (based on whether the usage rate for a month is equal to or greater than 65% or less than 65%) on the average daily unused portion of the maximum amount of the commitments under the junior subordinated note payable. Amounts outstanding under the Junior Subordinated Note Payable may not exceed specified percentages of eligible loans receivable. On December 31, 2011, \$50.0 million was outstanding and there was \$20.0 million of unused borrowing availability under the borrowing base limitations. Beginning September 17, 2011, the maximum available borrowings were reduced by \$5.0 million, and will be reduced by \$5.0 million annually thereafter.

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NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS

On December 8, 2008, the Company entered into an interest rate swap with a notional amount of \$20 million to economically hedge a portion of the cash flows from its floating rate revolving credit facility. Under the terms of the interest rate swap, which expired on December 8, 2011, the Company paid a fixed rate of 2.4% on the \$20 million notional amount and received payments from a counterparty based on the 1 month LIBOR rate. Interest rate differentials paid or received under the swap agreement were recognized as adjustments to interest expense.

The fair value of the Company's interest rate derivative instrument is included in the Consolidated Balance Sheets as follows:

| | Interest Rate Swap |
|---------------------------------------|--------------------|
| March 31, 2011: | |
| Accounts payable and accrued expenses | \$ 319,235 |
| Fair value of derivative instrument | \$ 319,235 |

The gains (losses) recognized in the Company's Consolidated Statements of Operations as a result of the Company's interest rate swap is as follows:

| | Three months ended December 31, | | Nine months ended December 31, | |
|--|------------------------------------|------------|-----------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Realized losses | | | | |
| Interest rate swap - included as a component of interest expense | \$ (82,716) | (128,225) | (305,459) | (1,021,848) |
| Unrealized gains | | | | |
| Interest rate swap - included as a component of other income | \$ 108,975 | 208,225 | 319,235 | 920,537 |

The Company does not enter into derivative financial instruments for trading or speculative purposes. The purpose of these instruments is to reduce the exposure to variability in future cash flows attributable to a portion of its LIBOR-based borrowings. The Company is currently not accounting for these derivative instruments using the cash flow hedge accounting provisions of FASB ASC Topic 815-10-15; therefore, the changes in fair value of the swaps are included in earnings as other income or expenses.

By using derivative instruments, the Company is exposed to credit and market risk. Credit risk, which is the risk that a counterparty to a derivative instrument will fail to perform, exists to the extent of the fair value gain in a derivative. Market risk is the adverse effect on the financial instruments from a change in interest rates. The Company manages the market risk associated with interest rate contracts by establishing and monitoring limits as to the types and degree of risk that may be undertaken. The market risk associated with derivatives used for interest rate risk management activities is fully incorporated in the Company's market risk sensitivity analysis.

NOTE 11 – INCOME TAXES

The Company is required to assess whether the earnings of the Company's two Mexican foreign subsidiaries, Servicios World Acceptance Corporation de México, S. de R.L. de C.V. ("SWAC") and WAC de Mexico, S.A. de C.V., SOFOM ENR ("WAC"), will be permanently reinvested in the respective foreign jurisdiction or if previously untaxed foreign earnings of the Company will no longer be permanently reinvested and thus become taxable in the United States. As

of December 31, 2011, the Company has determined that approximately \$663,000 of cumulative undistributed net earnings of SWAC and approximately \$3.7 million of cumulative undistributed net earnings of WAC, as well as the future net earnings and losses of both foreign subsidiaries, will be permanently reinvested.

The Company adopted the provision of FASB ASC Topic 740-10 on April 1, 2007. As of December 31, 2011 and March 31, 2011, the Company had \$2.3 million of total gross unrecognized tax benefits including penalties and interest, respectively. Approximately \$906,000 and \$958,000, respectively, represents the amount of net unrecognized tax benefits that are permanent in nature and, if recognized, would affect the annual effective tax rate. At December 31, 2011, approximately \$792,000 of gross unrecognized tax benefits are expected to be resolved during the next 12 months through the expiration of the statute of limitations and settlement of state tax liabilities. The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. As of December 31, 2011, the Company had \$162,000 accrued for gross interest, of which \$14,000 was a current period benefit.

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The Company is subject to U.S. and Mexican income taxes, as well as taxes from various other state and local jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2008, although carryforward attributes that were generated prior to 2008 may still be adjusted upon examination by the taxing authorities if they either have been or will be used in a future period.

NOTE 12 – SUBSEQUENT EVENT

Subsequent events have been evaluated through February 2, 2012, the date these unaudited consolidated financial statements were issued.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

At December 31, 2011 the Company and certain of its subsidiaries have been named as defendants or are otherwise involved in various legal actions and proceedings arising from their normal business activities, including matters in which damages in various amounts are claimed. In view of the inherent difficulty in predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, the matters present novel legal theories, potentially involve a large number of parties or are in the early stages, the Company generally cannot predict the eventual outcome of these pending matters, nor the timing of the ultimate resolution of such matters or the eventual loss, fines, penalties, settlement or other impact, if any, related to such matters. Based on current knowledge, management does not believe that losses arising from pending matters will have a material adverse effect on the Company's consolidated financial statements.

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AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table sets forth certain information derived from the Company's consolidated statements of operations and balance sheets, as well as operating data and ratios, for the periods indicated (unaudited):

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|------------------------------------|---------|-----------------------------------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| | (Dollars in thousands) | | | |
| Average gross loans receivable ¹ | \$1,003,584 | 903,622 | 956,723 | 850,961 |
| Average net loans receivable ² | 733,613 | 663,183 | 700,266 | 625,999 |
| Expenses as a % of total revenue: | | | | |
| Provision for loan losses | 26.6 | % 25.4 | % 22.7 | % 22.3 |
| General and administrative | 48.7 | % 48.7 | % 49.1 | % 49.3 |
| Total interest expense | 2.5 | % 3.0 | % 2.7 | % 3.2 |
| Operating margin ³ | 24.7 | % 25.9 | % 28.1 | % 28.4 |
| Return on average assets (trailing 12 months) | 13.4 | % 13.4 | % 13.4 | % 13.4 |
| Offices opened or acquired, net | 12 | 20 | 53 | 64 |
| Total offices (at period end) | 1,120 | 1,054 | 1,120 | 1,054 |

(1) Average gross loans receivable have been determined by averaging month-end gross loans receivable over the indicated period.

(2) Average loans receivable have been determined by averaging month-end gross loans receivable less unearned interest and deferred fees over the indicated period.

(3) Operating margin is computed as total revenues less provision for loan losses and general and administrative expenses, as a percentage of total revenue.

Comparison of Three Months Ended December 31, 2011, Versus
Three Months Ended December 31, 2010

Net income increased to \$19.6 million for the three months ended December 31, 2011, or 8.4%, from the three month period ended December 31, 2010. Operating income (revenues less provision for loan losses and general and administrative expenses) increased, approximately \$0.9 million, or 2.8%, interest expense decreased by approximately \$465,000, or 12.2%, and income tax expense decreased by \$134,000, or 1.2%.

Total revenues rose to \$135.9 million during the quarter ended December 31, 2011, a 7.9% increase over the \$126.0 million for the corresponding quarter of the previous year. This increase was attributable to new offices and an increase in revenues from offices open throughout both quarterly periods. Revenues from the 988 offices open throughout both quarterly periods increased by approximately 4.6%. At December 31, 2011, the Company had 1,120 offices in operation, an increase of 53 offices from March 31, 2011.

Interest and fee income for the quarter ended December 31, 2011 increased by \$7.7 million, or 7.0%, over the same period of the prior year. This increase resulted from a \$70.4 million increase, or 10.6%, in average net loans receivable over the two corresponding periods.

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Insurance commissions and other income increased by approximately \$2.3 million, or 13.6%, between the two quarterly periods. Insurance commissions increased by approximately \$1.6 million, or 14.2%, during the most recent quarter when compared to the prior year quarter due to the increase in loans in those states where credit insurance is sold in conjunction with the loan. Other income increased by approximately \$653,000, or 12.3%.

The provision for loan losses during the three months ended December 31, 2011 increased by \$4.1 million, or 13.0%, primarily due to loan growth, from the same quarter last year. Accounts that were 61+ days past due increased from 2.8% to 3.0% on a recency basis and increased from 4.0% to 4.3% on a contractual basis when comparing the two quarter end statistics. Net charge-offs as a percentage of average net loans decreased from 16.3% (annualized) during the prior year third quarter to 15.9% (annualized) during the most recent quarter. Over the last ten years charge-off ratios during the third fiscal quarter have ranged from a high of 19.6% in fiscal 2008 to a low of 15.3% in fiscal 2002.

Management's close monitoring of the Company's loan portfolio credit risk has served the Company well during the current economic environment. Management believes that our underwriting standards help to mitigate the credit risk. One requirement that has always been part of the underwriting process is that, at the time a customer's application is processed, the customer must have enough free income to support his/her monthly living expense and to support the monthly loan payment. In addition, due to the short-term nature of our loans and our aggressive charge-off policies, any deterioration in our loan quality is quickly reflected in our provision.

In addition, loans over 90 days past due on a recency basis are fully reserved. Generally, loans are charged off at the earlier of when such loans are deemed to be uncollectible or when six months have elapsed since the date of the last full contractual payment. The Company continues to monitor closely the loan portfolio in light of current economic conditions and believes that the loss ratios are within acceptable ranges in light of these conditions.

General and administrative expenses for the quarter ended December 31, 2011 increased by \$4.8 million, or 7.9% over the same quarter of fiscal 2011. Overall, general and administrative expenses, when divided by average open offices, increased by approximately 1.0% when comparing the two periods. The total general and administrative expense as a percent of total revenues was 48.7% for the three months ended December 31, 2011 and December 31, 2010.

Interest expense decreased by approximately \$465,000 when comparing the two corresponding quarterly periods, as a result of the average interest rate decreasing from 6.1% during third quarter 2010 to 4.6% during the third quarter 2011. The decreasing interest rate yield was directly related to the maturity of the convertible subordinated notes and the expiration of the \$20 million interest rate swap. This decrease was partially offset by a 16.1% increase in the average outstanding debt balance.

The Company's effective income tax rate decreased to 35.3% for the quarter ended December 31, 2011 from 37.5% for the prior year quarter. The decrease was primarily related to a decrease in foreign tax expense and the recognition of the benefit of state refund claims in the current quarter

Comparison of Nine Months Ended December 31, 2011, Versus
Nine Months Ended December 31, 2010

Net income increased to \$63.1 million for the nine months ended December 31, 2011, an increase of 10.6%, from the nine month period ended December 31, 2010. Operating income increased approximately \$9.2 million, or 9.2%, interest expense decreased by 5.2% and income taxes increased by 11.6%.

Total revenues rose to \$391.2 million during the nine months ended December 31, 2011, a 10.4% increase over the \$354.5 million for the corresponding nine months of the previous year. This increase was attributable to new offices and an increase in revenues from offices open throughout both nine month periods. Revenues from the 988 offices

open throughout both nine month periods increased by approximately 7.5%.

Interest and fee income for the nine months ended December 31, 2011 increased by \$31.4 million, or 10.2%, over the same period of the prior year. This increase resulted from a \$74.3 million increase, or 11.9%, in average net loans receivable over the two corresponding periods.

Insurance commissions and other income increased by approximately \$5.3 million, or 11.7%, between the two nine month periods. Insurance commissions increased by approximately \$4.1 million, or 13.2%, during the most recent nine months when compared to the same period in the prior year due to the increase in loans in those states where credit insurance is sold in conjunction with the loan. Other income increased by approximately \$1.2 million, or 8.3%, over the corresponding nine months.

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The provision for loan losses during the nine months ended December 31, 2011 increased by \$10.1 million, or 12.8%, from the same period of the prior year. Accounts that were 61+ days past due increased from 2.8% to 3.0% on a recency basis and increased from 4.0% to 4.3% on a contractual basis when comparing the two period end statistics. Net charge-offs as a percentage of average net loans decreased from 14.6% (annualized) during the prior year first nine months to 14.4% (annualized) during the most recent nine months.

General and administrative expenses for the nine months ended December 31, 2011 increased by \$17.4 million, or 10.0% over the same period of fiscal 2011. Overall, general and administrative expenses, when divided by average open offices, increased by approximately 2.4% when comparing the two periods. During the first nine months of fiscal 2012, the Company's net increase in branches was 53 branches compared to 64 branches opened or acquired in the first nine months of fiscal 2011. The total general and administrative expense as a percent of total revenues decreased from 49.3% for the nine months ended December 31, 2010 to 49.1% for the nine months ended December 31, 2011.

Interest expense decreased by approximately \$584,000 when comparing the two corresponding nine month periods as a result of a decrease in the average interest rate, which decreased from 6.8% during the prior year first nine months to 5.6% for the nine months ended December 31, 2011. The decreasing interest rate yield was directly related to the maturity of the convertible subordinated notes and the expiration of the \$20 million interest rate swap. This decrease was partially offset by a 13.0% increase in the average outstanding debt balance.

The Company's effective income tax rate increased to 36.5% for the nine months ended December 31, 2010 from 36.3% for the first nine months of the prior year. The increase was primarily the result of the settlement with the state of South Carolina for tax years March 31, 1997 through March 31, 2006 which represented a discrete event in the second quarter of the prior year, which was partially offset by the recognition of the benefit of state refund claims in the current quarter.

Regulatory Matters

The Company's operations are subject to extensive state and federal regulation. As previously disclosed, potential changes in the nature or scope of these regulations or their application to our business could materially and adversely affect our business, results of operations and prospects. See Part I, Item 1, "Business—Government Regulation" and Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for our fiscal year ended March 31, 2011 (the "Form 10-K"), as supplemented by disclosures in this report, including, but not limited to, disclosures under Part II, Item 1A, "Risk Factors," for further information regarding these regulatory matters. As noted in Part II, Item 1A of this report, on January 4, 2011, Mr. Richard Cordray was appointed Director of the Consumer Financial Protection Bureau ("CFPB"). On January 19, 2011, the CFPB held its first public field hearing in Birmingham, Alabama on the subject of "payday lending." In prepared remarks, Director Cordray made the following statement: "Payday loans are short-term, high-cost loans made in exchange for a commitment to repayment from the person's next paycheck." Although such a statement presumably is not a binding definition of "payday loans" for purposes of CFPB regulation and oversight unless and until it is embodied in a rule or regulation promulgated by the CFPB, the Company believes that its loan products are separate and distinct from the products described as "payday loans" in Mr. Cordray's remarks. The Company intends to continue monitoring pronouncements and actions of the CFPB, along with other regulatory developments, and can give no assurance that such actions, developments or changes will not materially and adversely affect our business, results of operations and prospects.

Critical Accounting Policies

The Company's accounting and reporting policies are in accordance with U. S. generally accepted accounting principles and conform to general practices within the finance company industry. Certain accounting policies involve

significant judgment by the Company's management, including the use of estimates and assumptions which affect the reported amounts of assets, liabilities, revenues, and expenses. As a result, changes in these estimates and assumptions could significantly affect the Company's financial position and results of operations. The Company considers its policies regarding the allowance for loan losses, share-based compensation, and income taxes to be its most critical accounting policies due to the significant degree of management judgment involved.

Allowance for Loan Losses

The Company has developed policies and procedures for assessing the adequacy of the allowance for loan losses that take into consideration various assumptions and estimates with respect to the loan portfolio. The Company's assumptions and estimates may be affected in the future by changes in economic conditions, among other factors. Additional information concerning the allowance for loan losses is discussed under "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Credit Quality" in the Company's report on Form 10-K for the fiscal year ended March 31, 2011 and in Note 5 to our unaudited Consolidated Financial statements included in this Form 10-Q report.

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Share-Based Compensation

The Company measures compensation cost for share-based awards at fair value and recognizes compensation over the service period for awards expected to vest. The fair value of restricted stock is based on the number of shares granted and the quoted price of the Company's common stock at the grant date, and the fair value of stock options is determined using the Black-Scholes valuation model. The Black-Scholes model requires the input of highly subjective assumptions, including expected volatility, risk-free interest rate and expected life, changes to which can materially affect the fair value estimate. In addition, the estimation of share-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company's current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards and historical experience. Actual results, and future changes in estimates, may differ substantially from the Company's current estimates.

Income Taxes

Management uses certain assumptions and estimates in determining income taxes payable or refundable, deferred income tax liabilities and assets for events recognized differently in its financial statements and income tax returns, and income tax expense. Determining these amounts requires analysis of certain transactions and interpretation of tax laws and regulations. Management exercises considerable judgment in evaluating the amount and timing of recognition of the resulting income tax liabilities and assets. These judgments and estimates are re-evaluated on a periodic basis as regulatory and business factors change.

No assurance can be given that either the tax returns submitted by management or the income tax reported on the Consolidated Financial Statements will not be adjusted by either adverse rulings by the U.S. Tax Court, changes in the tax code, or assessments made by the Internal Revenue Service ("IRS") or state taxing authorities. The Company is subject to potential adverse adjustments, including but not limited to: an increase in the statutory federal or state income tax rates, the permanent non-deductibility of amounts currently considered deductible either now or in future periods, and the dependency on the generation of future taxable income, including capital gains, in order to ultimately realize deferred income tax assets.

The Company adopted FASB ASC Topic 740 on April 1, 2007. Under FASB ASC Topic 740, the Company will include the current and deferred tax impact of its tax positions in the financial statements when it is more likely than not (likelihood of greater than 50%) that such positions will be sustained by taxing authorities, with full knowledge of relevant information, based on the technical merits of the tax position. While the Company supports its tax positions by unambiguous tax law, prior experience with the taxing authority, and analysis of what it considers to be all relevant facts, circumstances and regulations, management must still rely on assumptions and estimates to determine the overall likelihood of success and proper quantification of a given tax position.

Liquidity and Capital Resources

The Company has financed its operations, acquisitions and office expansion through a combination of cash flow from operations and borrowings from its institutional lenders. The Company's primary ongoing cash requirements relate to the funding of new offices and acquisitions, the overall growth of loans outstanding, the repayment of indebtedness and the repurchase of its common stock. As the Company's gross loans receivable increased from \$599.5 million at March 31, 2008 to \$875.0 million at March 31, 2011, net cash provided by operating activities for fiscal years 2011, 2010 and 2009 was \$199.8 million, \$183.6 million and \$153.9, respectively.

The Company believes stock repurchases to be a viable component of the Company's long-term financial strategy and an excellent use of excess cash when the opportunity arises. As of February 2, 2012 (including pending repurchase

orders subject to settlement), the Company has \$12.6 million in aggregate remaining repurchase capacity under all of the Company's outstanding stock repurchase authorizations.

The Company plans to open or acquire at least 63 branches in the United States and 10 branches in Mexico during fiscal 2012, of which as of December 31, 2011 the Company has opened 48 in the United States and 6 in Mexico. Expenditures by the Company to open and furnish new offices averaged approximately \$25,000 per office during fiscal 2011. New offices have also required from \$100,000 to \$400,000 to fund outstanding loans receivable originated during their first 12 months of operation.

The Company acquired one office and 19 loan portfolios from 16 competitors in 7 states during the first nine months of fiscal 2012. Net loans receivable purchased in these transactions were approximately \$2.4 million in the aggregate at the dates of purchase. The Company believes that attractive opportunities to acquire new offices or receivables from its competitors or to acquire offices in communities not currently served by the Company will continue to become available as conditions in local economies and the financial circumstances of owners change.

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The Company has a \$300.0 million base credit facility with a syndicate of banks. The credit facility will expire on August 31, 2013. Funds borrowed under the revolving credit facility bear interest, at the Company's option, at either the agent bank's prime rate per annum or the LIBOR rate plus 3.0% per annum with a minimum 4.0% interest rate. At December 31, 2011, the interest rate on borrowings under the revolving credit facility was 4.0%. The Company pays a commitment fee equal to 0.40% per annum of the daily unused portion of the revolving credit facility. Amounts outstanding under the revolving credit facility may not exceed specified percentages of eligible loans receivable. On December 31, 2011, \$278.9 million was outstanding under this facility, and there was \$21.1 million of unused borrowing availability under the borrowing base limitations.

The Company has a \$75.0 million junior subordinated note payable with a bank, which will mature on September 17, 2015. Funds borrowed under the junior subordinated note payable bear interest at LIBOR plus 4.875% per annum. At December 31, 2011, the interest rate on borrowings under the junior subordinated note payable was 5.1%. The Company is required to pay an unused line fee at a rate between 25 basis points and 37.5 basis points per annum (based on whether the usage rate for a month is equal to or greater than 65% or less than 65%) on the average daily unused portion of the maximum amount of the commitments under the junior subordinated note payable. Amounts outstanding under the junior subordinated note payable may not exceed specified percentages of eligible loans receivable. On December 31, 2011, \$50.0 million was outstanding, and there was \$20.0 million of unused borrowing availability under the borrowing base limitations. Beginning September 17, 2011, the maximum available borrowings were reduced by \$5.0 million, and will be reduced by \$5.0 million annually thereafter.

The Company's credit agreements contain a number of financial covenants, including minimum net worth and fixed charge coverage requirements. The credit agreements also contain certain other covenants, including covenants that impose limitations on the Company with respect to (i) declaring or paying dividends or making distributions on or acquiring common or preferred stock or warrants or options; (ii) redeeming or purchasing or prepaying principal or interest on subordinated debt; (iii) incurring additional indebtedness; and (iv) entering into a merger, consolidation or sale of substantial assets or subsidiaries. The Company believes that it was in compliance with these agreements as of December 31, 2011, and does not believe that these agreements will materially limit its business and expansion strategy.

The Company believes that cash flow from operations and borrowings under its revolving credit facility, junior subordinated note payable, or other sources will be adequate to fund the expected cost of opening or acquiring new offices, including funding initial operating losses of new offices and funding loans receivable originated by those offices and the Company's other offices and the scheduled repayment of other indebtedness (for the next 12 months and for the foreseeable future beyond that). Except as otherwise discussed in this report and in Part 1, Item 1A, "Risk Factors" in the Company's Form 10-K for the year ended March 31, 2011, management is not currently aware of any trends, demands, commitments, events or uncertainties that it believes will or could result in, or are or could be reasonably likely to result in, the Company's liquidity increasing or decreasing in any material way. From time to time, the Company has needed and obtained, and expects that it will continue to need on a periodic basis, an increase in the borrowing limits under its revolving credit facility. The Company has successfully obtained such increases in the past and anticipates that it will be able to do so in the future as the need arises; however, there can be no assurance that this additional funding will be available (or available on reasonable terms) if and when needed.

Inflation

The Company does not believe that inflation, within reasonably anticipated rates, will have a material adverse effect on its financial condition. Although inflation would increase the Company's operating costs in absolute terms, the Company expects that the same decrease in the value of money would result in an increase in the size of loans demanded by its customer base. It is reasonable to anticipate that such a change in customer preference would result in an increase in total loan receivables and an increase in absolute revenues to be generated from that larger amount of

loans receivable. That increase in absolute revenues should offset any increase in operating costs. In addition, because the Company's loans are relatively short in both contractual term and average life, it is unlikely that loans made at any given point in time will be repaid with significantly inflated dollars.

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Quarterly Information and Seasonality

The Company's loan volume and corresponding loans receivable historically follow seasonal trends. The Company's highest loan demand occurs each year from October through December, its third fiscal quarter. Loan demand is historically the lowest and loan repayment is highest from January to March, its fourth fiscal quarter. Loan volume and average balances remain relatively level during the remainder of the year. This seasonal trend causes fluctuations in the Company's cash needs and quarterly operating performance through corresponding fluctuations in interest and fee income and insurance commissions earned, since unearned interest and insurance income are accreted to income on a collection method. Consequently, operating results for the Company's third fiscal quarter are historically significantly lower than in other quarters and operating results for its fourth fiscal quarter are generally higher than in other quarters.

Recently Adopted Accounting Pronouncements

See Note 2 to our accompanying unaudited Consolidated Financial Statements.

Forward-Looking Information

This report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," may contain various "forward-looking statements," within the meaning of Section 21E of the Securities Exchange Act of 1934, that are based on management's belief and assumptions, as well as information currently available to management. Statements other than those of historical fact, as well as those identified by the words "anticipate," "estimate," "plan," "expect," "believe," "may," "will," and "should" any variation of the foregoing and similar expressions are forward-looking statements. Although the Company believes that the expectations reflected in any such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Any such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company's actual financial results, performance or financial condition may vary materially from those anticipated, estimated or expected. Among the key factors that could cause the Company's actual financial results, performance or condition to differ from the expectations expressed or implied in such forward-looking statements are the following: recently-enacted, proposed or future legislation and the manner in which it is implemented; the nature and scope of regulatory authority, particularly discretionary authority, that may be exercised by regulators having jurisdiction over the Company's business or consumer financial transactions generically; changes in interest rates; risks relating to expansion and foreign operations; risks inherent in making loans, including repayment risks and value of collateral; the timing and amount of revenues that may be recognized by the Company; changes in current revenue and expense trends (including trends affecting delinquencies and charge-offs); changes in the Company's markets and general changes in the economy (particularly in the markets served by the Company); the unpredictable nature of litigation; and other matters discussed in this report and in Part I, Item 1A, "Risk Factors" in the Company's most recent annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC") and the Company's other reports filed with, or furnished to, the SEC from time to time. The Company does not undertake any obligation to update any forward-looking statements it makes.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The Company's financial instruments consist of the following: cash, loans receivable, senior notes payable and junior subordinated note payable. Fair value approximates carrying value for all of these instruments. Loans receivable are originated at prevailing market rates and have an average life of approximately four months. Given the short-term

nature of these loans, they are continually repriced at current market rates. The Company's outstanding debt under its revolving credit facility was \$278.9 million at December 31, 2011. At December 31, 2011, interest on borrowings under this facility was based, at the Company's option, on the prime rate or LIBOR plus 3.0%, with a minimum of 4.0% per annum. The Company's outstanding debt under its junior subordinated note payable was \$50.0 million at December 31, 2011. At December 31, 2011, interest on borrowings under this facility was based on LIBOR plus 4.875% or 5.1%.

Based on the outstanding balance and terms of the notes payable at December 31, 2011, a change of 1.0% in the interest rates would cause a change in interest expense of approximately \$1.4 million on an annual basis.

Foreign Currency Exchange Rate Risk

In September 2005 the Company began opening offices in Mexico, where its local businesses utilize the Mexican peso as their functional currency. The consolidated financial statements of the Company are denominated in U.S. dollars and are therefore subject to fluctuation as the U.S. dollar and Mexican peso foreign exchange rates change. International revenues from our non-U.S. operations accounted for approximately 6.8% and 5.5% of total revenues during the nine month periods ended December 31, 2011 and 2010, respectively. There have been, and there may continue to be, period-to-period fluctuations in the relative portions of our international revenues to total consolidated revenues. Net loans denominated in Mexican pesos translated into US dollars, were approximately \$32.4 million and \$28.0 million at December 31, 2011 and 2010, respectively.

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The Company's foreign currency exchange rate exposures may change over time as business practices evolve and could have a material effect on its financial results. There have been, and there may continue to be, period-to-period fluctuations in the relative portions of Mexican revenues.

Because its earnings are affected by fluctuations in the value of the U.S. dollar against foreign currencies, the Company has performed an analysis assuming a hypothetical 10% increase or decrease in the value of the U.S. dollar relative to the Mexican peso in which the Company's transactions in Mexico are denominated. At December 31, 2011, the analysis indicated that such market movements would not have had a material effect on the Company's consolidated financial statements. The actual effects on the consolidated financial statements in the future may differ materially from results of the analysis for the nine months ended December 31, 2011. The Company will continue to monitor and assess the effect of currency fluctuations and may institute hedging strategies in the future.

Item 4. Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures as of December 31, 2011. Based on that evaluation, the Company's management, including the CEO and CFO, has concluded that the Company's disclosure controls and procedures are effective as of December 31, 2011. During the fiscal quarter ended December 31, 2011, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time the Company is involved in routine litigation relating to claims arising out of its operations in the normal course of business, including matters in which damages in various amounts are claimed. While the outcome of litigation is by its nature uncertain, based on current knowledge, management does not believe that the outcome of any such pending matters to which it is a party will have a material adverse effect on the Company's results of operations or financial condition taken as a whole.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended March 31, 2011 (the "Form 10-K"), as supplemented below, which factors could materially affect our business, financial condition or future results. The risks described in this report and in our Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

The following information updates and supplements certain disclosures in Part I, Item 1A, "Risk Factors" of the Form 10-K under the heading, "Federal legislative or regulatory proposals, initiatives, actions or changes that are adverse to our operations or result in adverse regulatory proceedings, or our failure to comply with existing or future federal laws and regulations, could force us to modify, suspend or cease part or all of our nationwide operations," and information cross-referenced under such heading from Part I, Item 1, "Description of Business—Government Regulation" in the Form 10-K:

On January 4, 2012, President Obama named former Ohio Attorney General Richard Cordray as Director of the Consumer Financial Protection Bureau ("CFPB") pursuant to a recess appointment without a confirmation vote from the U.S. Senate. Numerous Republican members of Congress and other critics have questioned the validity of the appointment on procedural grounds, and it is unclear whether legal or other challenges to the appointment or actions of the CFPB will ensue. However, as Director Cordray is now actively engaged in the announcement and implementation of various plans and initiatives on behalf of the CFPB, it appears that his appointment will accelerate the exercise of the CFPB's powers. Although it is unclear the extent to which the Company and its operations may be affected by the activities and initiatives of the CFPB, there can be no assurance that the CFPB will not exercise its unprecedented powers in a manner that will, either directly or indirectly, have a material and adverse effect on, or eliminate altogether, the Company's ability to operate its business profitably or on terms substantially similar to those on which it currently operates.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company's credit agreements contain certain restrictions on the payment of cash dividends on its capital stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

On November 29, 2011, the Board of Directors authorized the Company to repurchase up to \$20 million of the Company's common stock. This repurchase authorization follows, and is in addition to, a similar repurchase authorization of \$25 million announced on August 19, 2011. After taking into account all shares repurchased through February 2, 2012 (including pending repurchase orders subject to settlement), the Company has \$12.6 million in aggregate remaining repurchase capacity under all of the company's outstanding repurchase authorizations. The

timing and actual number of shares repurchased will depend on a variety of factors, including the stock price, corporate and regulatory requirements and other market and economic conditions. Although the repurchase authorizations above have no stated expiration date, the Company's stock repurchase program may be suspended or discontinued at any time.

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Issuer Purchases of Equity Securities

| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs |
|--------------------------------------|---|------------------------------------|--|---|
| October 1 through October 31, 2011 | - | \$- | - | \$ 2,160,266 |
| November 1 through November 30, 2011 | - | - | - | 22,160,266 * |
| December 1 through December 31, 2011 | 13,545 | 68.02 | 13,545 | 21,238,938 |
| Total for the quarter | 13,545 | \$68.02 | 13,545 | |

* On November 29, 2011, the Board of Directors authorized the Company to repurchase up to \$20 million of the Company's common stock. This repurchase authorization follows, and is in addition to, a similar repurchase authorization of \$25 million announced on August 19, 2011.

Item 5. Other Information

None.

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AND SUBSIDIARIES

PART II. OTHER INFORMATION, CONTINUED

Item 6. Exhibits

| Exhibit Number | Description | Previous Exhibit Number | Company Registration No. or Report |
|----------------|---|-------------------------|------------------------------------|
| 3.1 | Second Amended and Restated Articles of Incorporation of the Company, as amended | 3.1 | 333-107426 |
| 3.2 | Fourth Amended and Restated Bylaws of the Company | 99.1 | 8-03-07 8-K |
| 4.1 | Specimen Share Certificate | 4.1 | 33-42879 |
| 4.2 | Articles 3, 4 and 5 of the Form of Company's Second Amended and Restated Articles of Incorporation (as amended) | 3.1 | 333-107426 |
| 4.3 | Article II, Section 9 of the Company's Fourth Amended and Restated Bylaws | 99.1 | 8-03-07 8-K |
| 4.4 | Amended and Restated Revolving Credit Agreement dated September 17, 2010 | 10.1 | 9-21-10 8-K |
| 4.5 | First Amendment to the Amended and Restated Revolving Credit Agreement dated September 17, 2010 | 10.1 | 9-1-11 8-K |
| 4.6 | Amended and Restated Company Security Agreement Pledge and Indenture of Trust, dated as of September 17, 2010 | 10.2 | 9-21-10 8-K |
| 4.7 | Amended and Restated Subsidiary Security Agreement, Pledge and Indenture of Trust (i.e. Subsidiary Security Agreement) | 10.3 | 9-21-10 8-K |
| 4.8 | Amended and Restated Guaranty Agreement dated as of September 17, 2010 (i.e., Subsidiary Guaranty Agreement) | 10.4 | 9-21-10 8-K |
| 4.9 | Subordination and Intercreditor Agreement, dated as of September 17, 2010, among World Acceptance Corporation, Wells Fargo Preferred Capital, Inc., individually and as agent, and Bank of Montreal, individually and as agent, and Harris N.A., as senior collateral agent | 10.5 | 9-21-10 8-K |
| 4.10 | Subordinated Credit Agreement, dated as of September 17, 2010, between World Acceptance Corporation and Wells Fargo Preferred Capital, Inc., as Agent and as Bank | 10.6 | 9-21-10 8-K |
| 4.11 | Subordinated Subsidiary Guaranty Agreement, dated as of September 17, 2010, by the subsidiaries of World Acceptance Corporation party thereto in favor of Wells Fargo Preferred Capital, Inc., as Collateral Agent | 10.7 | 9-21-10 8-K |

| | | | |
|------|---|------|-------------|
| 4.12 | Subordinated Security Agreement, Pledge and Indenture of Trust, dated as of September 17, 2010, between World Acceptance Corporation and Wells Fargo Preferred Capital, Inc., as Collateral Agent | 10.8 | 9-21-10 8-K |
|------|---|------|-------------|

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| Exhibit Number | Description | Previous Exhibit Number | Company Registration Number or Report |
|----------------|---|-------------------------|---------------------------------------|
| 4.13 | Subordinated Security Agreement, Pledge and Indenture of Trust, dated as of September 17, 2010, among the subsidiaries of World Acceptance Corporation party thereto and Wells Fargo Preferred Capital, Inc., as Collateral Agent. | 10.9 | 9-21-10 8-K |
| 4.14 | Form of 3.00% Convertible Senior Subordinated Note due October 2011 | 4.1 | 10-12-06 8-K |
| 4.15 | Indenture, dated October 10, 2006 between the Company and U.S. Bank National Association, as Trustee | 4.2 | 10-12-06 8-K |
| <u>31.1</u> | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer | * | |
| <u>31.2</u> | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer | * | |
| <u>32.1</u> | Section 1350 Certification of Chief Executive Officer | * | |
| <u>32.2</u> | Section 1350 Certification of Chief Financial Officer | * | |
| 101.1 | The following materials from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2011, formatted in XBRL: (i) Consolidated Balance Sheets as of December 31, 2011 and March 31,2011; (ii) Consolidated Statements of Operations for the three and nine months ended December 31, 2011 and December 31, 2010; (iii) Consolidated Statements of Cash Flows for the nine months ended December 31, 2011 and December 31,2010; and (iv) Notes to Consolidated Financial Statements, tagged as blocks of text. | | |

* Submitted electronically herewith.

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SIGNATURES

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

WORLD ACCEPTANCE
CORPORATION

By: */s/ A. Alexander McLean, III*
A. Alexander McLean, III, Chief
Executive Officer
Date: February 2, 2012

By: */s/ Kelly M. Malson*
Kelly M. Malson, Senior Vice President and
Chief Financial Officer
Date: February 2, 2012