EZCORP INC
Form 10-K
December 14, 2009

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

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

For the Fiscal Year Ended September 30, 2009

or

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

For the transition period from __________ to __________

Commission File No. 000-19424

EZCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**74-2540145**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1901 Capital Parkway	
Austin, Texas	**78746**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code:

(512) 314-3400

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Non-voting Common Stock, $.01 par value per share	**The NASDAQ Stock Market**

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

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

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

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

Indicate by check mark 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 o No o

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

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

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

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

The only class of voting securities of the registrant issued and outstanding is the Class B Voting Common Stock, par value $.01 per share, all of which is owned by an affiliate of the registrant. There is no trading market for the Class B Voting Common Stock. The aggregate market value of the Class A Non-voting Common Stock held by non-affiliates of the registrant was $508 million, based on the closing price on the NASDAQ Stock Market on March 31, 2009.

As of October 31, 2009, 45,742,898 shares of the registrant s Class A Non-voting Common Stock, par value $.01 per share and 2,970,171 shares of the registrant s Class B Voting Common Stock, par value $.01 per share were outstanding.

Documents incorporated by reference: None

EZCORP, INC.
YEAR ENDED SEPTEMBER 30, 2009
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PART I

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

Item 1. Business

General

EZCORP, Inc. is a Delaware corporation headquartered in Austin, Texas. We lend or provide credit services to individuals who do not have cash resources or access to credit to meet their short-term cash needs. We operate pawn stores in the United States under the EZPAWN and Value Pawn brands, and in Mexico under the EMPEÑO FÁCIL and EMPEÑE SU ORO brands. We also operate short-term consumer loan stores in the United States principally under the EZMONEY brand and in Canada under the CASHMAX brand. We also own approximately 30% of the outstanding stock of Albemarle and Bond Holdings PLC, one of the United Kingdom s largest pawnbroking businesses with 115 stores, and Cash Converters International Limited, which franchises and operates approximately 500 locations worldwide.

At our pawn stores, we offer pawn loans, which are non-recourse loans collateralized by tangible personal property, and sell merchandise to customers looking for good value. The merchandise we sell consists primarily of pre-owned collateral forfeited from our pawn lending activities or purchased from customers. At our short-term consumer loan stores and at some of our pawn stores, we offer a variety of loan products, including single-payment, non-collateralized payday loans with maturity dates typically ranging from 7 to 30 days; non-collateralized installment loans that may be repaid over extended periods of up to five months, and 30-day loans secured by automobile titles. Short-term non-collateralized loans are sometimes referred to as signature loans. Our short-term consumer loan stores in Texas do not offer loan products themselves, but rather offer credit services to help customers obtain loans from independent third-party lenders. Some of our Texas pawn stores also offer credit services in addition to pawn loans.

We manage our business as three segments U.S. Pawn Operations, Empeño Fácil and EZMONEY Operations. The following table describes the number of locations operated by each segment as of September 30, 2009, and the nature of the operations at those locations:

	U.S. Pawn Operations	Empeño Fácil	EZMONEY Operations	Consolidated
Pawn stores	369	62		431
Short-term consumer loan stores adjoining U.S. pawn stores	6		151	157
Short-term consumer loan stores free standing			322	322
Total stores in operation	375	62	473	910
Stores offering payday loans (including credit services)	82		473	555
Stores offering installment loans (including credit services)			194	194
Stores offering auto title loans (including credit services)	68		263	331

The following components comprised our net revenues (total revenues less cost of goods sold and bad debt):

	Fiscal Year Ended September 30,		
	2007	2008	2009
Pawn service charges	33%	34%	36%
Gross profit from merchandise sales	26%	23%	22%
Gross profit from jewelry scrapping sales	8%	11%	12%
Signature loan (including credit service) fees, net of bad debt	33%	32%	28%
Auto title loan (including credit service) fees, net of bad debt			1%
Other			1%
Net revenues	100%	100%	100%

Pawn Activities

Our pawnshops make pawn loans, which are typically small, non-recourse loans collateralized by tangible personal property. At September 30, 2009, we had approximately 958,000 loans outstanding, representing an aggregate principal balance of $101.7 million. We earn pawn service charge revenue on our pawn lending. In fiscal 2009, pawn service charges accounted for approximately 22% of our total revenues and 36% of our net revenues.

While allowable service charges vary by state and loan size, a majority of our U.S. pawn loans earn 20% per month. The pawn loan amount varies depending on the valuation of the item pawned, but our average U.S. pawn loan amount typically ranges between $80 and $120. The total U.S. loan term, consisting of the primary term and a grace period, is 60 days in most locations, but ranges up to 120 days in some states. In Mexico, pawn service charges range from 13% to 20% per month, but a majority of our pawn loans earn 18%, net of applicable taxes. The total Mexico pawn loan term is 40 days, consisting of the primary term and a grace period. In fiscal 2007, 2008 and 2009, approximately 77%, 79% and 79% of our pawn loans were redeemed in full or were renewed or extended through the payment of accrued pawn service charges.

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

The collateral is held through the duration of the loan, which the customer may renew or extend by paying accrued pawn service charges. Through our lending guidelines, we maintain an annual redemption rate (the percentage of loans made that are repaid, renewed or extended) between 76% and 79%. If a customer does not repay, renew or extend a loan, the collateral is forfeited to us and becomes inventory available for sale. We do not record loan losses or charge-offs of pawn loans because the principal amount of an unpaid loan becomes the inventory carrying cost of the forfeited collateral. We provide an inventory valuation allowance to ensure that this forfeited collateral is valued at the lower of cost or market.

The table below shows our dollar amount of pawn loan activity for fiscal 2007, 2008 and 2009:

	Fiscal Year Ended September 30,		
	2007	2008	2009
		(in millions)	
Loans made	$ 211.9	$ 262.5	$ 340.3
Loans repaid	(109.2)	(136.8)	(181.3)
Loans forfeited	(96.4)	(113.7)	(155.7)
Loans acquired in business acquisitions	4.1	3.2	23.3
Change due to foreign currency exchange fluctuations			(0.9)
Net increase (decrease) in pawn loans outstanding at the end of the year	$ 10.4	$ 15.2	$ 25.7
Loans renewed	$ 40.3	$ 103.1	$ 107.1
Loans extended	$ 267.8	$ 375.9	$ 592.4

The redemption rate of pawn loans and the gross profit realized on the sale of forfeited collateral are dependent on the loan value of customer merchandise. Jewelry, which makes up approximately 65% of the value of collateral, can be appraised based on weight, gold content, style and value of gemstones. Other items pawned typically consist of consumer electronics, tools, sporting goods, and musical instruments. These are evaluated based on recent sales experience and the selling price of similar new merchandise, adjusted for age, wear, and obsolescence.

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

Pawn loan forfeitures constitute the primary source of inventory for our retail sales activities, although we also purchase and resell pre-owned merchandise from customers and some new merchandise from third-party vendors. The gross profit on sales of inventory depends primarily on our assessment of the loan or purchase value at the time the property is either accepted as loan collateral or purchased. Improper value assessment in the lending or purchasing process can result in lower margins or reduced marketability of the merchandise. During fiscal 2007, 2008 and 2009, we realized gross margins on sales of 39%, 40% and 37%.

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

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

	Fiscal Year Ended September 30,		
	2007	2008	2009
Forfeited pawn loan collateral	81%	78%	69%
Purchases from customers	18%	21%	22%
Acquired in business acquisitions	1%	1%	9%

For fiscal 2007, 2008 and 2009, retail activities and jewelry scrapping (sales of precious metals and gemstones to refiners and gemstone wholesalers) accounted for approximately 52%, 51% and 54% of our total revenues, or 33% of our net revenues in each year, after deducting the cost of goods sold. As a significant portion of our inventory and sales involve gold jewelry, our results can be heavily influenced by the market price of gold, which has increased over the past several years. This is particularly true for gold scrapping, which comprised 27% of total sales in fiscal 2007, 33% in fiscal 2008 and 37% in fiscal 2009.

Customers may purchase an extended return plan that allows them to return or exchange certain merchandise sold through our retail pawn operations within six months of purchase. We recognize the fees for this service as revenue ratably over the six month period. Customers may also purchase an item on layaway by paying a minimum layaway deposit of typically 20% of the item s sale price. We hold the item for a 60 to 90-day period, during which the customer is required to pay the balance of the sales price. The initial deposit and subsequent payments are recorded as customer layaway deposits. Layaways are recorded as sales when paid in full. As of September 30, 2009, we held $4.2 million in customer layaway deposits. We record layaway and product protection fees as other revenue.

Our overall inventory is stated at the lower of cost or market. We provide an inventory valuation allowance for shrinkage and cost in excess of market value. We estimate this valuation allowance through study and analysis of sales trends, inventory turnover, inventory aging, margins achieved on recent sales and shrinkage. At September 30, 2009, total inventory on hand was $64.0 million after deducting the inventory valuation allowance of $5.7 million.

Short-Term Consumer Loan Activities

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

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

Payday loans Payday loans are short-term loans (generally less than 30 days and averaging about 18 days) with due dates corresponding to the customer s next payday. The principal amount of a payday loan can be up to $1,500, but average approximately $430. We typically charge a fee of 15% to 22% of the loan amount for a 7-to-23-day period.

Installment loans Installment loans typically carry a term of about five months, with ten equal installment payments due on the customer s paydays. Installment loan principal amounts range from $525 to $3,000, but average about $1,250. We typically charge a fee of 10% of the initial loan amount with each semi-monthly or bi-weekly installment payment.

Auto title loans Auto title loans are 30-day loans collateralized by the titles to customers automobiles. The principal amount of an auto title loan can be up to $9,000, but averages about $700. Loan amounts are established based on customers income levels, an inspection of the automobile and title and reference to market values of used automobiles. For each auto title loan, we charge a fee of 12.5% to 25% of the loan amount.

In our Texas stores, we do not offer signature loan or auto title loan products themselves, but offer fee-based credit services to customers seeking loans. In these locations, we act as a credit services organization (or CSO) on behalf of customers in accordance with applicable state laws, and offer advice and assistance to customers in obtaining loans from unaffiliated lenders. Our services include arranging loans with independent third-party lenders, assisting in the preparation of loan applications and loan documents, and accepting loan payments for the lenders. We do not make, fund or participate in the loans made by the lenders, but we assist customers in obtaining credit and enhance their creditworthiness by issuing a letter of credit to guarantee the customer s payment obligations to the independent third-party lender. For credit services in connection with arranging a payday loan (average loan amount of about $550), our fee is 20% of the loan amount. For credit services in connection with arranging an installment loan (average loan amount of about $2,100), our fee is 10% of the initial loan amount with each semi-monthly or bi-weekly installment payment. For credit services in connection with arranging an auto title loan (average loan amount of about $680), the fee is 25% of the loan amount.

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

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

The table below shows the dollar amount of our signature loan activity for fiscal 2007, 2008 and 2009. For purposes of this table, signature loan balances include the principal portion of payday loans and installment loans (net of valuation allowance) recorded on our balance sheet and the principal portion of such active brokered loans outstanding from unaffiliated lenders, which is not included on our balance sheet. In fiscal 2009, new loans were renewed 1.9 times on average, down from 2.1 times in fiscal 2008 and 2.3 times in fiscal 2007.

	Fiscal Year Ended September 30,		
	2007	2008	2009
		(in millions)	
Combined signature loans:			
Loans made	$ 164.3	$ 204.4	$ 217.3
Loans repaid	(130.3)	(167.5)	(184.0)
Loans forfeited, net of collections on bad debt	(26.5)	(34.3)	(32.6)
Net increase in signature loans outstanding at the end of the year	$ 7.5	$ 2.6	$ 0.7
Loans renewed	$ 368.4	$ 449.9	$ 437.6
Loans made by unaffiliated lenders (credit services only):			
Loans made	$ 115.8	$ 122.4	$ 114.0
Loans repaid	(89.5)	(96.5)	(90.6)
Loans forfeited, net of collections on bad debt	(21.2)	(25.6)	(23.9)
Net increase in loans outstanding at the end of the year	$ 5.1	$ 0.3	$ (0.5)
Loans renewed	$ 334.4	$ 392.8	$ 366.7
Loans made by us:			
Loans made	$ 48.5	$ 82.0	$ 103.3
Loans repaid	(40.8)	(71.0)	(93.4)
Loans forfeited, net of collections on bad debt	(5.3)	(8.7)	(8.7)

Net increase in loans outstanding at the end of the year	$ 2.4	$ 2.3	$ 1.2
Loans renewed	$ 34.0	$ 57.1	$ 70.9

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

We began offering auto title loans in September 2008, but had an immaterial balance at September 30, 2008. The table below shows the dollar amount of our auto title loan activity for fiscal 2009. For purposes of this table, auto title loan balances include the principal portion of auto title loans (net of valuation allowance) recorded on our balance sheet and the principal portion of active brokered auto title loans outstanding from unaffiliated lenders, which is not included on our balance sheet.

		Fiscal Year Ended September 30, 2009 *(in millions)*
Combined auto title loans:		
Loans made	$	5.6
Loans repaid		(2.5)
Loans forfeited, net of collections on bad debt		(0.4)
Loans acquired in business acquisition		1.1
Net increase in auto title loans outstanding at the end of the year	$	3.8
Loans renewed	$	14.0
Loans made by unaffiliated lenders (credit services only):		
Loans made	$	3.3
Loans repaid		(1.0)
Loans forfeited, net of collections on bad debt		(0.2)
Loans acquired in business acquisition		
Net increase in loans outstanding at the end of the year	$	2.1
Loans renewed	$	4.9
Loans made by us:		
Loans made	$	2.3
Loans repaid		(1.5)
Loans forfeited, net of collections on bad debt		(0.2)
Loans acquired in business acquisition		1.1
Net increase in loans outstanding at the end of the year	$	1.7
Loans renewed	$	9.1

Auto title loans are secured by the titles to customers automobiles. Lending decisions and loan amounts are determined based on customers income levels, an inspection of the automobile and title and reference to market values of used automobiles. Auction proceeds from repossessed automobiles reduce bad debt.

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

Seasonality

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

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

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

Operations

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

Short-term consumer loan stores typically employ two to three FTEs per location, consisting of a store manager and one or two customer service representatives. Each store manager is responsible for ensuring that the store is run in accordance with our policies, procedures and operating guidelines, and reports to an area manager, who is responsible for the stores within a specific operating area. Area managers report to one of the regional directors, who in turn report to the President Signature Loans. Managers and regional directors receive incentive compensation based on their performance in comparison to an operating budget.

In the majority of our short-term consumer loan stores, store employees attempt to collect defaulted signature loans in the first 30 days after default. After the initial 30 days, our centralized collection center assumes collection responsibility for these stores loans. The centralized collection center also collects defaulted signature loans for all other locations from the date of default. After attempting to collect for approximately 60 days, we generally sell the remaining defaulted signature loans to a third party or refer them to an outside collection agency for a contingency fee.

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

Our internal audit staff, consisting of a Director of Internal Audit, five Audit Managers and 34 Auditors, monitors the perpetual inventory system, lending practices, regulatory compliance and compliance with our policies and procedures. Each location is typically audited four times annually.

As of September 30, 2009, we employed approximately 4,350 people. We believe that our success is dependent upon our employees ability to provide prompt and courteous customer service and to execute our operating procedures and standards. We seek to hire people who will become long-term, career employees. To achieve our long-range personnel goals, we offer a structured career development program for all of our field associates. This program encompasses computer-based training, formal structured classroom training and supervised on-the-job training. All store associates, including managers, must meet certain competency criteria prior to hire or promotion and participate in on-going training classes and formal instructional programs. Our career development program develops and advances our employees and provides training for the efficient integration of experienced managers and associates from outside the company.

Trademarks and Trade Names

We operate our U.S. pawnshops under the names EZPAWN or Value Pawn and the Mexico pawn stores under the names EMPEÑO FÁCIL and EMPEÑE SU ORO AL INSTANTE. Our U.S. short-term consumer loan stores operate under a variety of names, including EZMONEY Payday Loans, EZ Loan Services, EZ Payday Advance, AAA Payday Loans and EZPAWN Payday Loans and our CSO stores operate under the name EZMONEY Loan Services. Our short-term consumer loan stores in Canada operate under the name CASHMAX. We have registered with the United States Patent and Trademark Office the names EZPAWN, EZMONEY and EZCORP, among others. We hold a trademark in Mexico for the name EMPEÑO FÁCIL.

Growth and Expansion

We plan to expand the number of locations we operate through opening new locations and through acquisitions. We believe that in the near term the largest growth opportunities are with pawn stores in Mexico, short-term consumer loan stores in Canada and pawn store acquisitions in the United States.

On November 13, 2008, we acquired 11 pawnshops located in the Las Vegas, Nevada area and on December 31, 2008, we acquired Value Financial Services 67 pawn stores, mostly in Florida. During fiscal 2009, we also opened 23 pawn stores in Mexico and our first two short-term consumer loan stores in Canada. We plan to open another 40 to 50 Empeño Fácil pawn stores in Mexico, 35 to 45 CASHMAX stores in Canada and six pawn shop locations in the United States in fiscal 2010.

The 17 new EZMONEY stores opened in fiscal 2009 required an average property and equipment investment of approximately $85,000. The two CASHMAX stores in Canada required an average property and equipment investment of approximately $69,000. In addition to one acquired store, we opened 23 Mexico pawnshops in fiscal 2009 that required an average property and equipment investment of approximately $97,000.

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

Competition

We encounter significant competition in connection with all of our activities. These competitive conditions may adversely affect our revenues, profitability and ability to expand. In our lending business, we compete with other pawnshops, payday lenders, credit service organizations, banks, credits unions and other financial institutions, such as consumer finance companies. Other lenders may lend money on an unsecured basis, at interest rates that may be lower than our service charges and on other terms that may be more favorable than ours. We believe that the primary elements of competition are the quality of customer service and relationship management, store location and the ability to loan competitive amounts at competitive rates. In addition, we believe the ability to compete effectively will be based increasingly on strong general management, regional market focus, automated management information systems, access to capital, and superior customer service.

Our competitors for merchandise sales include numerous retail and wholesale stores, including jewelry stores, discount retail stores, consumer electronics stores, other pawnshops, other resale stores, electronic commerce retailers and auction sites. Competitive factors in our retail operations include the ability to provide the customer with a variety of merchandise at an exceptional value.

The pawnshop industry in the United States is large and highly fragmented. The industry consists of approximately 11,000 pawnshops owned primarily by independent operators who own one to three locations, and we consider the industry mature. We are the second largest operator of pawnshops in the United States, with 369 locations. The three largest pawnshop operators account for less than ten percent of the total estimated pawnshops in the United States.

The pawnshop industry in Mexico is also fragmented, but less so than in the United States. The industry consists of approximately 5,000 pawnshops owned by independent operators and chains, including some owned by not-for-profit organizations. The pawn industry remains in more of an expansion stage in Mexico than in the United States.

The short-term consumer loan industry in the United States is larger and more concentrated than the pawn industry. The industry consists of approximately 22,000 locations that are either mono-line stores offering only short-term consumer loans, or other businesses offering short-term consumer loans in addition to other products and services, such as check cashing stores and pawnshops. The ten largest short-term consumer loan companies, including us, operate approximately 40% of the total number of locations.

The short-term consumer loan industry in Canada remains in a growth stage. The industry consists of approximately 1,400 locations that are either mono-line stores offering only short-term consumer loans, or other businesses offering short-term consumer loans in addition to other products and services, such as check cashing stores and pawnshops. The Canadian short-term consumer loan industry is highly concentrated, with the three largest companies operating approximately 70% of the total number of locations.

Strategic Investments

At September 30, 2009, we held 29.4% of the outstanding shares of Albemarle & Bond Holdings PLC. At June 30, 2009, the latest date at which Albemarle & Bond has publicly reported results, Albemarle & Bond operated 115 locations in the United Kingdom that offer pawn loans, payday loans, installment loans, check cashing and retail jewelry. For Albemarle & Bond s fiscal year ended June 30, 2009, its turnover (gross revenues) increased 18% to £55.5 million ($89.7 million), its profit after tax (net income) increased 47% over the prior year to approximately £10.7 million ($17.2 million), and its diluted earnings per share increased 46% to £0.1939 ($0.3133). Albemarle & Bond is based in Bristol, England, and its stock is publicly traded on the Alternative Investment Market of the London Stock Exchange. As its largest single shareholder, we hold three of the nine seats on Albemarle & Bond s board of directors. We account for our investment in Albemarle & Bond under the equity method. In fiscal 2009, our interest in Albemarle & Bond s income was $5.0 million and we received dividends of $1.6 million. Based on the closing price and exchange rates on October 31, 2009, the market value of our investment in Albemarle & Bond was approximately $63.6 million compared to its book value of $38.9 million.

On November 5, 2009 we acquired approximately 108.2 million shares of newly issued capital stock of Cash Converters International Limited, a public company headquartered in Perth, Australia, giving us 30% ownership after the transaction. We paid AUS $0.50 per share, for a total cash investment of AUS $54.1 million (approximately $49.4 million U.S.). As its largest single shareholder, we hold two of the five seats on Cash Converters board of directors. Cash Converters franchises and operates a worldwide network of about 550 financial services and retail stores, which provide pawn loans, short-term unsecured loans, and other consumer finance products, and buy and sell used merchandise. Cash Converters now owns and operates 17 locations in Australia and 24 locations in the United Kingdom, and has more than 500 franchised stores in 21 countries, including 119 in Australia, 118 in the United Kingdom and significant presences in Spain, South Africa and France. During the past several years, Cash Converters has been buying back franchised locations and converting them into company operated stores. We expect the proceeds from our investment will be used to accelerate this buy back activity, as well as increase Cash Converters portfolio of short-term consumer loans in Australia and the U.K.

For its fiscal year ended June 30, 2009, Cash Converters gross revenue improved 27% to AUS $94.4 million (U.S. $70.6 million), net income improved 6% to AUS $16.2 million (U.S. $12.1 million), and diluted earnings per share improved 9% to AUS $0.0666 (U.S. $0.0498). For the year, Cash Converters paid dividends of AUS $0.03 (U.S. $0.0224) per share.

Regulation

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

Pawn Regulations

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

Most of our pawnshops, voluntarily or pursuant to applicable laws, provide periodic (generally daily) reports to local law enforcement agencies. These reports provide local law enforcement with information about the items received from customers (whether through pawn or purchase), including a detailed description of the goods involved and the name and address of the customer. If we accept as collateral or purchase merchandise from a customer and it is determined that our customer was not the rightful owner, the merchandise is subject to recovery by the rightful owner. Historically, we have not experienced a material number of claims of this nature.

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

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

Signature Loan Regulations

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

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

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

Legislators and regulators are increasingly scrutinizing the legislative and regulatory environment for short-term lending, often proposing additional legislative and regulatory restrictions ranging from additional disclosure requirements to limits on rates and fees. In some cases, rate and fee limits would effectively prohibit certain short-term lending products, such as payday loans, because it would no longer be economically feasible for most lenders to offer such products. There can be no assurance that legislative or regulatory efforts to eliminate or restrict the availability of certain short-term loan products, including payday loans, will not be successful, despite significant customer demand. To the extent such efforts are successful, our signature loan business could be adversely affected. See Item 1A Risk Factors.

Other Federal Regulations

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

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

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

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

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

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

Available Information

We maintain an Internet website at www.ezcorp.com. All of our reports filed with the Securities and Exchange Commission (the SEC), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and Section 16 filings are accessible, free of charge, through the Investor Relations section of our website as soon as reasonably practicable after electronic filing. The public may read and copy any materials that we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the

Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. Information on our website is not incorporated by reference into this report.

Item 1A. Risk Factors

There are many risks and uncertainties that may affect the operations, performance, development and results of our business, some of which are beyond our control. The following is a description of the important risk factors that could cause results or events to differ from current expectations.

A significant or sudden decrease in gold values may have a material impact on our earnings and financial position. Pawn service charges, sales proceeds and our ability to liquidate excess jewelry inventory at an acceptable margin are dependent upon gold values. We periodically change our lending guidelines on jewelry in response to gold values and other market factors, such as competitor loan values. At September 30, 2009, the pure gold content of jewelry comprised approximately 50% of the value of our pawn loan portfolio and 30% of the value of our total inventory. Gold scrapping revenues were $118.9 million and gross profit from gold scrapping was $41.9 million in fiscal 2009. The impact on our financial position and results of operations of a hypothetical decrease in gold values cannot be reasonably estimated because the market and competitive response to changes in gold values is not known; however, a significant decline in gold values could result in decreases in sales, sales margins, and pawn service charge revenues.

Changes in laws and regulations affecting our financial services and products could have a material adverse effect on our operations and financial performance. Our financial products and services are subject to extensive regulation under various federal, state, and local laws and regulations. Legislative and regulatory efforts have increasingly concentrated on attempts to regulate, prohibit, or severely restrict our financial services and products, particularly payday loans, by limiting the number of loans a borrower could obtain, establishing rates that effectively prohibit our ability to operate profitably, or restricting or effectively eliminating the availability of our products and services to particular groups such as the military.

Several bills have been introduced in the United States Congress that would impose rate caps which would effectively prohibit many cash advance products, including payday loans. Additionally, the proposed Consumer Financial Protection Agency Act of 2009 would, if enacted in its current form, create a regulator that would have the authority and power to regulate non-bank providers of consumer financial services, including cash advance and pawn businesses, and to examine the businesses that offer such products. Adverse legislation could also be introduced in any state in which we operate. It is possible that legislation which could restrict fees or product features or availability may be considered in upcoming legislative sessions in several of the states in which we operate. In Mexico, various restrictions and disclosure requirements are proposed from time to time.

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

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

A significant portion of our short-term consumer loan revenues and profitability is dependent upon the ability and willingness of unaffiliated lenders to make loans to our customers. In Texas, where over half of our short-term consumer loan stores are located, we do not make loans to customers, but assist customers in arranging loans with unaffiliated lenders. Our short-term consumer loan business could be adversely affected if (a) we were to lose our current relationships with unaffiliated lenders and were unable to establish a relationship with another unaffiliated lender who was willing and able to make short-term loans to our Texas customers or (b) the unaffiliated lenders are unable to obtain capital or other sources of funding at appropriate rates.

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

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

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

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

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

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

One person beneficially owns all of our voting stock and controls the outcome of all matters requiring a vote of stockholders. Phillip E. Cohen is the beneficial owner of all of our Class B Voting Common Stock and controls the outcome of all issues requiring a vote of stockholders. All of our publicly traded stock is non-voting stock. Consequently, stockholders other than Mr. Cohen have no vote with respect to the election of directors or any other matter requiring a vote of stockholders.

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our typical pawnshop is a freestanding building or part of a retail strip center with contiguous parking. Store interiors are designed to resemble small retail operations and attractively display merchandise by category. Distinctive exterior design and attractive in-store signage provide an appealing atmosphere to customers. The typical pawn store has approximately 1,800 square feet of retail space and approximately 3,200 square feet dedicated to collateral storage. Short-term consumer loan stores are designed to resemble a bank interior. The typical short-term consumer loan store is approximately 1,000 to 1,500 square feet and is located in a retail strip center. Some of our short-term consumer loan stores adjoin a pawn location and occupy approximately 300 to 500 square feet, with a different entrance, signage, décor, and staffing. From the customers perspective, these are viewed as a separate business, but they are covered by the same lease agreement. We maintain property and general liability insurance for each of our stores. Our stores are open six or seven days a week.

We lease substantially all of our locations, and generally lease facilities for a term of three to ten years with one or more renewal options. Our existing leases expire on dates ranging between December 31, 2009 and July 31, 2026, with a small number of leases on month-to-month terms. All leases provide for specified periodic rental payments at market rates. Most leases require us to maintain the property and pay the cost of insurance and taxes. We believe the termination of any one of our leases would not have a material adverse effect on our operations. Our strategy generally is to lease rather than own space for our stores unless we find what we believe is a superior location at an attractive price.

Below is a summary of changes in the number of store locations during fiscal 2007, 2008 and 2009.

	Fiscal Year Ended September 30,		
	2007	2008	2009
Store count at beginning of fiscal year	614	731	809
New stores opened	104	80	42
Acquired stores	16	20	78
Stores closed or consolidated	(3)	(22)	(19)
Store count at end of fiscal year	731	809	910

In 2009, we opened 23 Empeño Fácil pawn stores in Mexico, 17 free-standing U.S. EZMONEY locations and two CASHMAX short-term consumer loan stores in Canada. We also acquired 77 pawn stores in the U.S. and one in Mexico during fiscal 2009.

On an ongoing basis, we may close or consolidate under-performing store locations. In fiscal 2008, we closed 16 short-term consumer loan stores and consolidated six short-term consumer loan stores into other existing short-term consumer loan stores. In fiscal 2009, we closed 8 short-term consumer loan stores and consolidated 9 short-term consumer loan stores into other existing short-term consumer loan stores and consolidated two U.S. pawn stores into existing pawn stores.

Of our 477 U.S. short-term consumer loan stores, 157 adjoin a pawn store, but they are covered by the same lease agreement. The lease agreements at approximately 80% of the remaining 320 free-standing short-term consumer loan stores contain provisions that limit our exposure to additional rent at these stores to only a few months if laws were enacted that had a significant negative effect on our operations at these stores. If such laws were passed, the space currently utilized by stores adjoining pawn stores could be re-incorporated into the pawn operations.

The following table presents the number of pawn and short-term consumer loan store locations by state or province as of October 31, 2009:

	Pawn Locations	Short-Term Consumer Loan Locations	Total Locations
United States:			
Texas	181	293	474
Florida	76		76
Colorado	38	38	76
Wisconsin		45	45
Oklahoma	20	6	26
Idaho		20	20
Utah		17	17
Alabama	7	9	16
Nevada	15		15
Indiana	15		15
Kansas		14	14
Missouri		13	13
Nebraska		12	12
South Dakota		7	7
Tennessee	7		7
Louisiana	3		3
Mississippi	3		3
Georgia	3		
Arkansas	1		1
Total United States Locations	369	474	805
Mexico:			
Veracruz	12		12
Guanajuato	10		10
Mexico	8		8
Puebla	8		8
Tamaulipas	7		7
Jalisco	5		5
Querétaro	5		5
Aguascalientes	4		4
Tabasco	3		3
Michoacán	2		2
San Luis Potosí	2		2
Total Mexico Locations	66		66
Canada:			
Ontario		2	2
Total Canada Locations		2	2

Total Company	435	476	911

In addition to our store locations, we lease our two Austin, Texas corporate offices totaling 39,900 square feet, and our 4,100 square foot corporate office in Querétaro, Mexico.

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

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

Market Information

Our Class A Non-voting Common Stock (Class A Common Stock) is traded on The NASDAQ Stock Market under the symbol EZPW. As of October 31, 2009, there were 125 stockholders of record of our Class A Common Stock. There is no trading market for our Class B Voting Common Stock (Class B Common Stock), which was held by one stockholder as of October 31, 2009.

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

	High	Low
Fiscal 2008:		
First quarter ended December 31, 2007	$14.75	$10.95
Second quarter ended March 31, 2008	13.63	10.00
Third quarter ended June 30, 2008	14.88	11.69
Fourth quarter ended September 30, 2008	19.25	12.32
Fiscal 2009:		
First quarter ended December 31, 2008	$19.09	$11.00
Second quarter ended March 31, 2009	17.01	9.50
Third quarter ended June 30, 2009	13.86	10.11
Fourth quarter ended September 30, 2009	13.90	10.00

On October 30, 2009, our Class A Common Stock closed at $12.97 per share.

During the past three fiscal years, we have not declared or paid any dividends and currently do not anticipate paying any cash dividends in the immediate future. Under the terms of our credit agreement, which expires December 31, 2012, payment of dividends is prohibited. Should we pay dividends in the future, our certificate of incorporation provides that cash dividends on common stock, when declared, must be declared and paid at the same per share amounts on both classes of stock. Any future determination to pay cash dividends will be at the discretion of our Board of Directors.

This Annual Report on Form 10-K, our Code of Conduct and Ethics, our Audit Committee Charter and our Compensation Committee Charter are available in the Investor Relations section of our website at www.ezcorp.com.

Stock Performance Graph

The following table compares cumulative total shareholder returns for our Class A Common Stock for the last five fiscal years, with the cumulative total return on the NASDAQ Composite Index (ticker symbol IXIC) and the NASDAQ Other Financial Index (ticker symbol IXFN) over the same period. The graph shows the value, at the end of each of the last five fiscal years, of $100 invested in our Class A Common Stock or the indices on September 30, 2004. The graph depicts the change in the value of our Class A Common Stock relative to the indices at the end of each fiscal year and not for any interim period. Historical stock price performance is not necessarily indicative of future stock price performance.

Item 6. Selected Financial Data

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

Selected Financial Data

	Fiscal Years Ended September 30,				
	2005	2006	2007	2008	2009
	(Amounts in thousands, except per share and store figures)				
Operating Data:					
Sales	$ 148,410	$ 177,424	$ 192,987	$ 232,560	$ 323,596
Pawn service charges	62,274	65,325	73,551	94,244	130,169
Signature loan fees	42,200	71,840	104,347	128,478	133,344
Auto title loan fees					3,589
Other	1,275	1,263	1,330	2,121	6,758
Total revenues	254,159	315,852	372,215	457,403	597,456
Cost of goods sold	90,678	106,873	118,007	139,402	203,589
Signature loan bad debt	13,000	17,897	28,508	37,150	33,553
Auto title loan bad debt					380
Net revenues	150,481	191,082	225,700	280,851	359,934
Store operating expenses	100,379	115,438	133,180	158,927	206,237
Administrative expenses	19,767	24,049	27,171	34,951	40,497
Depreciation and amortization	8,104	8,610	9,812	12,354	12,746
(Gain) loss on sale/disposal of assets	79	(7)	(72)	939	(1,024)
Interest expense (income), net	1,275	(79)	(1,373)	(57)	1,144
Equity in net income of unconsolidated affiliate	(2,173)	(2,433)	(2,945)	(4,342)	(5,016)
Other				8	38
Income before income taxes	23,050	45,504	59,927	78,071	105,312
Income tax expense	8,298	16,245	22,053	25,642	36,840
Net income	$ 14,752	$ 29,259	$ 37,874	$ 52,429	$ 68,472
Earnings per common share, diluted	$ 0.36	$ 0.69	$ 0.88	$ 1.21	$ 1.42
Cash dividends per common share	$	$	$	$	$
Weighted average common shares and share equivalents, diluted	40,722	42,264	43,230	43,327	48,076
Stores operated at end of period	514	614	731	809	910

		September 30,		
2005	2006	2007	2008	2009
		(in thousands)		

Balance Sheet Data:					
Pawn loans	$ 52,864	$ 50,304	$ 60,742	$ 75,936	$101,684
Payday loans	1,634	2,443	4,814	7,124	7,785
Installment loans					572
Auto title loans				1	1,663
Inventory	30,293	35,616	37,942	43,209	64,001
Working capital	92,954	117,539	124,871	159,918	228,796
Total assets	165,448	197,858	251,186	308,720	492,517
Long-term debt	7,000				35,000
Stockholders equity	133,543	170,140	215,925	273,050	415,685

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

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

The following table presents summary consolidated financial data for our fiscal years ended September 30, 2009 (current year or fiscal 2009), September 30, 2008 (prior year or fiscal 2008) and September 30, 2007 (fiscal 2007

Summary Financial Data

	Fiscal Years Ended September 30,		
	2007	2008	2009
		(in thousands)	
Net revenues:			
Sales	$ 192,987	$ 232,560	$ 323,596
Pawn service charges	73,551	94,244	130,169
Signature loan fees	104,347	128,478	133,344
Auto title loan fees			3,589
Other	1,330	2,121	6,758
Total revenues	372,215	457,403	597,456
Cost of goods sold	118,007	139,402	203,589
Signature loan bad debt	28,508	37,150	33,553
Auto title loan bad debt			380
Net revenues	$ 225,700	$ 280,851	$ 359,934
Net Income	$ 37,874	$ 52,429	$ 68,472

Consolidated signature loan data (combined payday loan, installment loan and related credit service activities) are as follows:

	Fiscal Years Ended September 30,		
	2007	2008	2009
		(Dollars in thousands)	
Fee revenue	$ 104,347	$ 128,478	$ 133,344
Bad debt:			
Net defaults, including interest on brokered loans	26,631	34,266	32,885
Insufficient funds fees, net of collections	1,154	1,239	1,043
Change in valuation allowance	402	1,362	(597)
Other related costs	321	283	222
Net bad debt	28,508	37,150	33,553
Fee revenue less bad debt	$ 75,839	$ 91,328	$ 99,791
Average signature loan balance outstanding during period (a)	$ 23,479	$ 28,790	$ 28,926
Signature loan balance at end of period (a)	$ 28,125	$ 30,677	$ 31,341
Participating stores at end of period	508	548	555

Signature loan bad debt, as a percent of fee revenue	27.3%	28.9%	25.2%
Net default rate (a) (b)	5.0%	5.2%	5.0%

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

(b) Principal defaults net of collections, as a percentage of signature loans made and renewed.

Overview

We provide loans or credit services to customers who do not have cash resources or access to credit to meet their short-term cash needs. In our pawnshops, we offer non-recourse loans collateralized by tangible personal property, commonly known as pawn loans. At these locations, we also sell merchandise, primarily collateral forfeited from our pawn lending operations, to consumers looking for good value. We also offer a variety of short-term consumer loans including payday loans, installment loans and auto title loans, or fee-based credit services to customers seeking loans. At September 30, 2009, we operated a total of 910 locations in the U.S., Mexico and Canada, consisting of 369 U.S. pawnshops (operating as EZPAWN or Value Pawn), 62 pawnshops in Mexico (operating as Empeño Fácil or Empeñe su Oro), 477 U.S. short-term loan stores (operating as EZMONEY) and 2 short-term loan stores in Canada (operating as CASHMAX). We also own approximately 29% of Albemarle & Bond Holdings PLC, one of the U.K. s largest pawnbroking businesses with 115 stores.

We manage our business as three segments. The U.S. Pawn Operations segment offers pawn related activities in all 369 U.S. pawn stores, signature loans (payday loans, installment loans and fee-based credit services to customers seeking payday or installment loans from unaffiliated lenders) in 76 U.S. pawn stores and six short-term consumer loan stores, and auto title loans in 68 U.S. pawn stores. The Empeño Fácil segment offers pawn related activities in all 62 Mexico pawn stores. The EZMONEY Operations segment offers signature loans in 471 U.S. short-term consumer loan stores and two short-term consumer loan stores in Canada, and offers auto title loans in 263 of these U.S. stores. This segment accounts for approximately 98% of our consolidated signature loan revenues and 63% of our auto title loan revenues in the current year.

The following tables present store data by operating segment:

	Year Ended September 30, 2009			
	U.S. Pawn Operations	Empeño Fácil	EZMONEY Operations	Consolidated
Stores in operation:				
Beginning of period	300	38	471	809
New openings		23	19	42
Acquired	77	1		78
Sold, combined, or closed	(2)		(17)	(19)
End of period	375	62	473	910
Average number of stores during the period	360	45	473	878
Composition of ending stores:				
Pawn	369	62		431
Short-term consumer loan stores adjoining U.S. pawn stores	6		151	157
Short-term consumer loan stores free standing			322	322
Total stores in operation	375	62	473	910
Stores offering payday loans (including credit services)	82		473	555
Stores offering installment loans (including credit services)			194	194

Stores offering auto title loans (including credit services)	25	68	263	331

	Year Ended September 30, 2008			
	U.S. Pawn Operations	Empeño Fácil	EZMONEY Operations	Consolidated
Stores in operation:				
Beginning of period	300	4	427	731
New openings		14	66	80
Acquired		20		20
Sold, combined, or closed			(22)	(22)
End of period	300	38	471	809
Average number of stores during the period	300	26	449	775
Composition of ending stores:				
Pawn	294	38		332
Short-term consumer loan stores adjoining U.S. pawn stores	6		152	158
Short-term consumer loan stores free standing			319	319
Total stores in operation	300	38	471	809
Stores offering payday loans (including credit services)	77		471	548
Stores offering installment loans (including credit services)			90	90
Stores offering auto title loans (including credit services)				

	Year Ended September 30, 2007			
	U.S. Pawn Operations	Empeño Fácil	EZMONEY Operations	Consolidated
Stores in operation:				
Beginning of period	286		328	614
New openings		4	100	104
Acquired	15	&nb		