



World Acceptance Corporation



2010 Annual Report

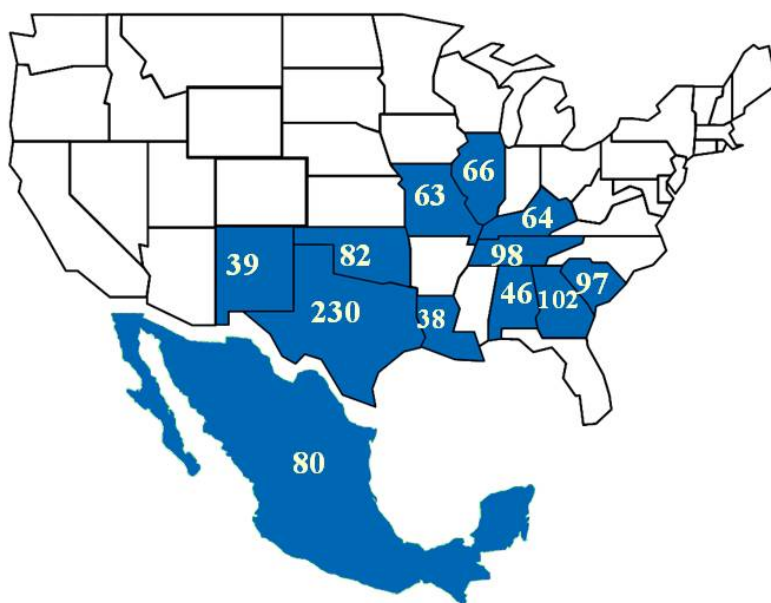
COMPANY PROFILE

WORLD ACCEPTANCE CORPORATION, founded in 1962, is one of the largest small-loan consumer finance companies in the United States and Mexico. It offers short-term small loans, medium-term larger loans, related credit insurance products, ancillary products and services to individuals who have limited access to other sources of consumer credit. It also offers income tax return preparation services and access to refund anticipation loans (through a third party bank) to its customer base and to others.

World emphasizes quality customer service and the building of strong personal relationships with its customers. As a result, a substantial portion of the Company's business is repeat business from the renewal of loans to existing customers and the origination of new loans to former customers. During fiscal 2010, the Company loaned \$2.3 billion in the aggregate in 2.1 million transactions. At March 31, 2010, World had approximately 792,757 customers. The Company's loans generally are under \$4,000 and have maturities of less than 36 months. World's average gross loan made in fiscal 2010 was \$1,067, and the average contractual maturity was approximately eleven months.

The Company also markets computer software and related services to financial services companies through its ParaData Financial Systems subsidiary. The ParaData system is currently used in approximately 1,530 consumer loan offices, including the Company's branch offices, and ParaData services over 107 customers.

As of June 18, 2010, World operated 1,005 offices in South Carolina, Georgia, Texas, Oklahoma, Louisiana, Tennessee, Missouri, Illinois, New Mexico, Kentucky, Alabama and Mexico.



CONTENTS

Financial Highlights.....	1
Message to Shareholders.....	2
Selected Consolidated Financial and Other Data.....	5
Management's Discussion and Analysis of Financial Condition and Results of Operations	6
Consolidated Balance Sheets	16
Consolidated Statements of Operations	17
Consolidated Statements of Shareholders' Equity and Comprehensive Income	18
Consolidated Statements of Cash Flows.....	19
Notes to Consolidated Financial Statements.....	20
Management's Report on Internal Control over Financial Reporting.....	44
Reports of Independent Registered Public Accounting Firm.....	45
Board of Directors.....	47
Company Officers.....	48
Corporate Information.....	49

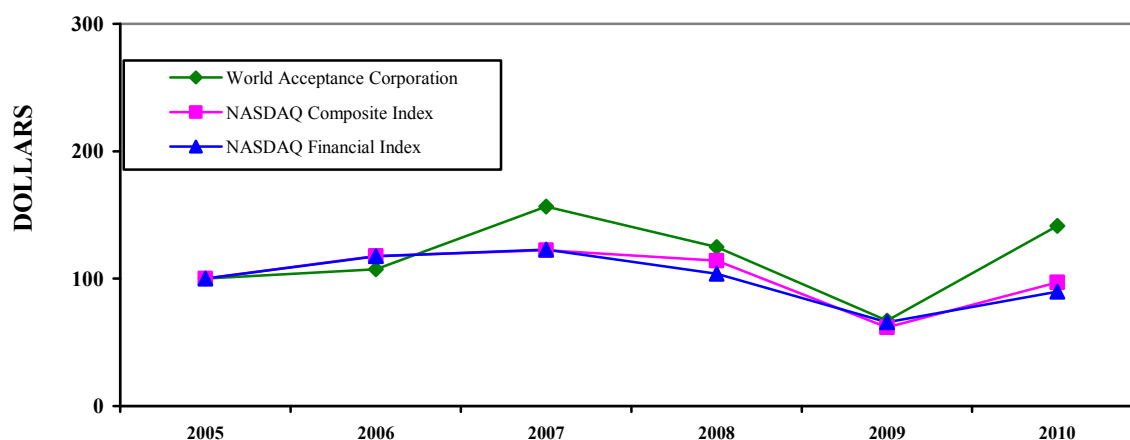
FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share data)

<u>Selected Statement of Operations Data:</u>	<u>Years Ended March 31,</u>		
	<u>2010</u>	<u>2009*</u>	<u>Change</u>
Total revenues	\$ 440,636	392,152	12.4%
Net income	73,661	56,493	30.4%
Diluted earnings per share	4.45	3.43	29.7%
<u>Selected Balance Sheet Data:</u>			
Gross loans receivable	\$ 770,265	671,176	14.8%
Total assets	593,052	526,094	12.7%
Total debt	170,642	197,041	(13.4%)
Total shareholders' equity	382,948	296,335	29.2%
<u>Selected Ratios:</u>			
Return on average assets	12.7%	10.9%	16.5%
Return on average shareholders' equity	22.1%	21.2%	4.2%
Shareholders' equity to assets	64.6%	56.3%	14.7%
<u>Statistical Data:</u>			
Number of customers at period end	792,757	732,109	8.3%
Number of loans made	2,119,725	1,914,269	10.7%
Number of offices	990	944	4.9%

*Fiscal year 2009 has been adjusted to reflect the adoption of ASC 470-20. See Note 2 to the Consolidated Financial Statements.

Comparison of Cumulative Total Return Between World Acceptance Corporation, NASDAQ Composite Index and NASDAQ Financial Index



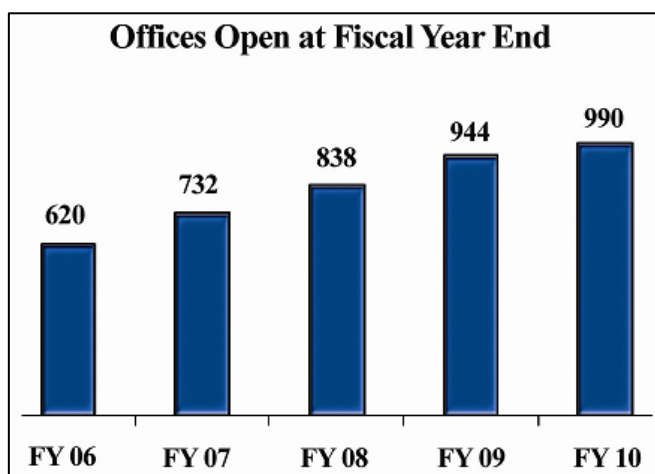
	<u>3/31/05</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/08</u>	<u>3/31/09</u>	<u>3/31/10</u>
World Acceptance Corporation	100.00	107.37	156.54	124.80	67.01	141.38
NASDAQ Composite Index	100.00	117.94	122.29	114.07	61.83	96.99
NASDAQ Financial Index	100.00	117.48	122.97	103.81	65.72	89.74

To Our Shareholders

Although the Country continued to face a very difficult economic environment in fiscal 2010, including sustained levels of high unemployment, your Company made remarkable improvements in almost all areas of operations and achieved a strong financial performance throughout the year. As the chart below indicates, most key statistics continued to show strong positive trends over the trailing ten and five year periods, as well as excellent growth rates during the most recent fiscal year:

<u>Key Indicators</u>	Value at Fiscal Year End or For Fiscal 2010 (dollars in thousands, except per share data)	Ten Year Annual Compounded <u>Growth Rate</u>	Five Year Annual Compounded <u>Growth Rate</u>	Fiscal 2010 <u>Growth Rate</u>
Total Revenues	\$440,636	15.4%	15.9%	12.4%
Net Earnings	\$73,661	17.9%	16.7%	30.4%
Earnings Per Share (diluted)	\$4.45	19.7%	20.7%	29.7%
Gross Loans	\$770,265	16.1%	17.0%	14.8%
Number of Offices	990	9.2%	11.3%	4.9%
Stock price per share	\$36.08	21.7%	7.2%	111.0%

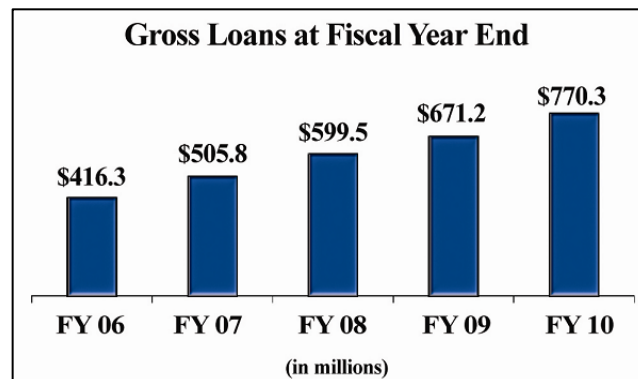
While the stock price per share ended the year with substantial gains from the prior year's end, it is down by 17.3% from the high of \$43.65 that it hit on March 12, 2010, due, I believe, to legislation pending in Congress. Financial services reform bills have passed both the House and Senate and they are going through the reconciliation process at the current time. Both versions of this Bill, in addition to numerous other provisions, provide for the creation of a Consumer Financial Protection Agency or Bureau with broad powers to write rules regarding nearly all aspects of consumer financial transactions. While both versions specifically prohibit this new agency from imposing national interest rate caps, the rule writing authority granted by this legislation could result in significant restrictions or limitations that could potentially affect the profitability of our Company going forward. I believe your Company and other companies in this industry provide a vital service to a large portion of the population that does not have access to greatly needed credit through banking or credit card channels and that this new agency will recognize both this need and the inability of other institutions to provide small dollar credit in an efficient manner. Therefore, I am optimistic that this Company and this industry have an excellent future with growing demand for our products and services.



After opening 324 offices over the previous three fiscal years, the Company's management made a conscious decision to reduce our office expansion to only 46 stores in Fiscal 2010. This decision was made because of the great deal of uncertainty in the economy as we approached the beginning of the fiscal year as well as the need to add strength to our middle management that had been stressed by the accelerated office expansion during the prior three years. Additionally, this year's more modest expansion allowed the Company to greatly reduce the number of unprofitable offices (primarily due to size and number of accounts) without adding significantly to this category. While this decision may have had a small impact on our year over year growth in loan balances

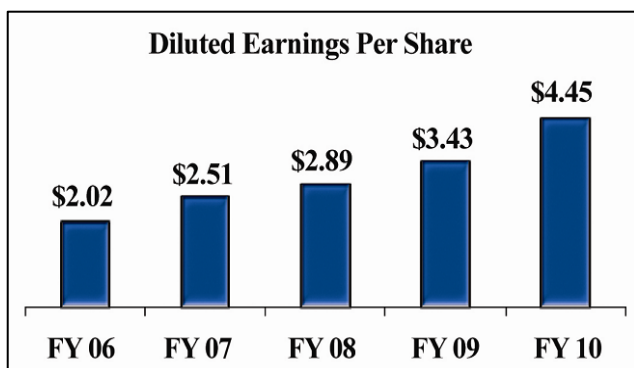
and has reduced the base of new offices for growth in fiscal 2011, the benefits gained at the supervisory level and the resulting improvement in our overall expense ratios will prove to be beneficial in the long term. The Company's plans for Fiscal 2011 are to open 70 new offices plus evaluate any acquisitions that may become available.

Gross loans receivable, the Company's primary earning asset, increased to \$770.3 million at March 31, 2010, up 14.8% over the \$671.2 million outstanding at the end of fiscal 2009. This year over year growth in loans represents a substantial increase from the 12.0% growth rate achieved in fiscal 2009. The Company continues to demonstrate its ability to prosper in even the worst economic environment, primarily due to the relationship and close personal contact it maintains with its customers. At the end of the fiscal year, the Company had open loan relationships with approximately 793,000 customers. This is compared to 732,000 customers at



March 31, 2009. We are also pleased that the majority of our loan growth continues to be generated through the opening of new accounts, as opposed to an increase in our average balance per account. During fiscal 2010, the 14.8% growth in gross loans consisted of an 8.6% increase in accounts and a 6.2% increase in average balances. We believe that our expanding customer base provides an excellent opportunity for additional growth in the coming year. We also believe that because our loan portfolio is our primary earning asset, loan growth is a good indicator of future trends in revenue and earnings for World Acceptance.

Acquisitions will remain a very important part of our overall growth strategy; however, growth through acquisitions is inherently less predictable due to the timing of the availability of attractive purchase opportunities. We are very pleased that we achieved reasonable loan growth even with relatively fewer acquisitions. During the most recent fiscal year, we completed the purchase of 12 offices in 9 separate transactions. Of these, 11 offices were merged into existing Company offices and one became a new office location. These acquisitions contributed approximately 6,300 accounts and \$3.9 million in gross loan balances. Over the previous eight years, we acquired an average of \$16.8 million in gross loans and an average of 20,300 accounts per year. We will continue to review potential acquisition candidates in existing and contiguous markets for future growth opportunities.

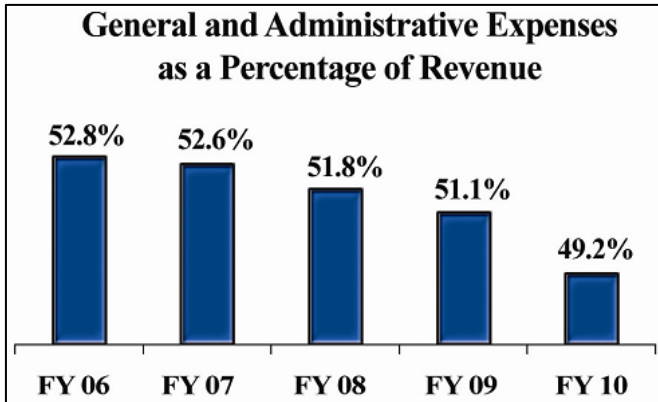


Net earnings for the year rose to \$73.7 million, or \$4.45 per diluted share, compared with \$56.5 million, or \$3.43 per diluted share, during fiscal 2009. Earnings grew 30.4% and earnings per share rose 29.7% compared with the prior year. Both net earnings and earnings per share benefited from gains recognized on the early retirement of a portion of our convertible notes at a substantial discount as well as other nonrecurring gains. These net gains amounted to approximately \$3.3 million in fiscal 2010 and approximately \$4.7 million in fiscal 2009.

Historically, the Company's growth in earnings per share has exceeded its net earnings growth due to its ongoing stock repurchase program. While very few shares were repurchased in fiscal 2010, primarily due to the decision to retire convertible notes at substantial discounts combined with the uncertainty in the economy, the Company believes that share repurchase is an important part of its long term strategy in building shareholder value. In the last 15 years, the Company has repurchased 8.5 million shares at an aggregate price of \$167.1 million. The intent is to apply this strategy aggressively in the future as well.

The area of greatest improvement during fiscal 2010 was our credit quality and loan losses. This will always be one of the most critical components of our business and is continuously monitored by all levels of management. While delinquencies remain relatively flat due to our consistent and aggressive charge-off policies, our charge-off ratio is the key indicator of credit quality. The increase in our net charge-offs as a percentage of average net loans to 16.7% in fiscal 2009, the highest level in the Company's history, had a direct negative

impact on both loan growth and net earnings. We were very pleased to see this ratio decline to 15.5% in fiscal 2010. While still not at historical average levels of 14.5% over the seven years ending in fiscal 2008, we are seeing continuing movement in that direction. Although there can be no assurance that we will ever return to these historical levels, we will remain extremely focused on this area.



Control over our operating expenses has continued to contribute to our earnings growth and is closely monitored by all levels of management. We have reduced general and administrative expenses as a percentage of total revenue in each of the past ten years and were again successful in achieving this goal in fiscal 2010. This ratio declined from 51.1% in fiscal 2009 to 49.6% in the most recent fiscal year. While the Company's expense ratios benefited from the reduction in new office openings during the year, the ongoing monitoring of our general and administrative expenses will always remain a high priority.

Our expansion into Mexico is another area where we made a lot of progress during fiscal 2010. We opened an additional 15 offices, which gave us a total of 80 open offices at the end of the fiscal year. At that time we had over 77,000 accounts and approximately \$33.1 million in gross loans outstanding. Although we continued to operate at a small after tax loss during the year, we are confident that this subsidiary will become profitable in fiscal 2011.

We are very pleased with the progress that the Company made in fiscal 2010. The improvements that were made in so many areas of operations were especially satisfying given the ongoing difficult economic environment. I believe that we are well positioned to continue this improvement and I am very optimistic about our prospects in fiscal 2011. On behalf of the directors, management and all of our more than 3,300 dedicated and loyal employees, many of whom are shareholders, we thank you for your support and continued interest in World Acceptance Corporation.

Sincerely,

A. A. McLean III
Chairmen and
Chief Executive Officer

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

(Dollars in thousands, except per share amounts)

	Years Ended March 31,				
	<u>2010</u>	<u>2009*</u>	<u>2008*</u>	<u>2007*</u>	<u>2006</u>
Statement of Operations Data:					
Interest and fee income	\$ 375,031	\$ 331,454	\$ 292,457	\$ 247,007	\$ 204,450
Insurance commissions and other income	<u>65,605</u>	<u>60,698</u>	<u>53,590</u>	<u>45,311</u>	<u>38,822</u>
Total revenues	<u>440,636</u>	<u>392,152</u>	<u>346,047</u>	<u>292,318</u>	<u>243,272</u>
Provision for loan losses	90,299	85,476	67,542	51,925	46,026
General and administrative expenses	217,012	200,216	179,218	153,627	128,514
Interest expense	<u>13,881</u>	<u>14,886</u>	<u>15,938</u>	<u>11,696</u>	<u>7,137</u>
Total expenses	<u>321,192</u>	<u>300,578</u>	<u>262,698</u>	<u>217,248</u>	<u>181,677</u>
Income before income taxes	119,444	91,574	83,349	75,070	61,595
Income taxes	<u>45,783</u>	<u>35,081</u>	<u>33,096</u>	<u>28,897</u>	<u>23,080</u>
Net income	<u>\$ 73,661</u>	<u>\$ 56,493</u>	<u>\$ 50,253</u>	<u>\$ 46,173</u>	<u>\$ 38,515</u>
Net income per common share (diluted)	<u>\$ 4.45</u>	<u>\$ 3.43</u>	<u>\$ 2.89</u>	<u>\$ 2.51</u>	<u>\$ 2.02</u>
Diluted weighted average shares	<u>16,546</u>	<u>16,464</u>	<u>17,375</u>	<u>18,394</u>	<u>19,098</u>
Balance Sheet Data (end of period):					
Loans receivable, net of unearned and deferred fees	\$ 571,086	\$ 498,433	\$ 445,091	\$ 378,038	\$ 312,746
Allowance for loan losses	<u>(42,897)</u>	<u>(38,021)</u>	<u>(33,526)</u>	<u>(27,840)</u>	<u>(22,717)</u>
Loans receivable, net	528,189	460,412	411,565	350,198	290,029
Total assets	593,052	526,094	478,881	402,026	332,784
Total debt	170,642	197,042	197,078	148,840	100,600
Shareholders' equity	382,948	296,335	244,801	228,731	210,430
Other Operating Data:					
As a percentage of average loans receivable:					
Provision for loan losses	16.3%	17.6%	15.8%	14.5%	15.4%
Net charge-offs	15.5%	16.7%	14.5%	13.3%	14.8%
Number of offices open at year-end	990	944	838	732	620

* Fiscal year 2007 through 2009 have been adjusted to reflect the adoption of ASC 470-20. See Note 2 to the Consolidated Financial Statements.

Management's Discussion And Analysis

General

The Company's financial performance continues to be dependent in large part upon the growth in its outstanding loans receivable, the ongoing introduction of new products and services for marketing to its customer base, the maintenance of loan quality and acceptable levels of operating expenses. Since March 31, 2005, gross loans receivable have increased at a 16.9% annual compounded rate from \$352.0 million to \$770.3 million at March 31, 2010. The increase reflects both the higher volume of loans generated through the Company's existing offices and the contribution of loans generated from new offices opened or acquired over the period. During this same five-year period, the Company has grown from 579 offices to 990 offices as of March 31, 2010. During fiscal 2011, the Company plans to open approximately 55 new offices in the United States, 15 new offices in Mexico and evaluate acquisition opportunities.

The Company attempts to identify new products and services for marketing to its customer base. In addition to new insurance-related products, which have been introduced in selected states over the last several years, the Company sells and finances electronic items and appliances to its existing customer base in many states where it operates. This program is called the "World Class Buying Club." Total loan volume under this program was \$13.5 million during fiscal 2010, compared to \$13.0 million in fiscal 2009. World Class Buying Club represents less than 1% of the Company's total loan volume.

The Company's ParaData Financial Systems subsidiary provides data processing systems to 107 separate finance companies, including the Company, and currently supports approximately 1,530 individual branch offices in 44 states and Mexico. ParaData's revenue is highly dependent upon its ability to attract new customers, which often requires substantial lead time, and as a result its revenue may fluctuate from year to year. Its net revenues from system sales and support amounted to \$1.8 million, \$2.0 million and \$2.2 million in fiscal 2010, 2009 and 2008, respectively. ParaData's net revenue to the Company will continue to fluctuate on a year to year basis. ParaData continues to provide state-of-the-art data processing support for the Company's in-house integrated computer system at a substantially reduced cost to the Company.

The Company offers an income tax return preparation and electronic filing program together with access to refund anticipation loans through an unaffiliated bank in all but a few of its offices. The Company prepared approximately 62,000, 61,000 and 65,000 returns in each of the fiscal years 2010, 2009 and 2008, respectively. Net revenue generated by the Company from this program during fiscal 2010, 2009 and 2008 amounted to approximately \$10.9 million, \$9.9 million and \$9.7 million, respectively. The Company believes that this profitable business provides a beneficial service to its existing customer base and plans to continue to promote and expand the program in the future.

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:

	Years Ended March 31,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(Dollars in thousands)		
Average gross loans receivable ⁽¹⁾	\$ 750,504	658,587	576,050
Average net loans receivable ⁽²⁾	553,650	486,776	426,524
Expenses as a percentage of total revenues:			
Provision for loan losses	20.5%	21.8%	19.5%
General and administrative	49.2%	51.1%	51.8%
Total interest expense	3.2%	3.8%	4.6%
Operating margin ⁽³⁾	30.3%	27.1%	28.7%
Return on average assets	12.7%	10.9%	11.0%
Offices opened and acquired, net	46	106	106
Total offices (at period end)	990	944	838

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

(2) Average net 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 revenues.

Management's Discussion And Analysis

As described in Note 2 to the Consolidated Financial Statements included in Item 8 below in the first quarter of fiscal 2010, we adopted FASB ASC 470-20 (Prior authoritative literature: FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)"), and applied it retrospectively to all periods presented with a cumulative effect adjustment being made as of the earliest period presented. Adoption of FASB ASC 470-20 affected our fiscal 2010, fiscal 2009 and fiscal 2008 consolidated statements of operations and balance sheets as reported to the extent described in Note 2, Summary of Significant Accounting Policies in Part II, Item 8 of this report.

Comparison of Fiscal 2010 Versus Fiscal 2009

Net income was \$73.7 million during fiscal 2010, a 30.4% increase over the \$56.5 million earned during fiscal 2009. This increase resulted primarily from an increase in operating income (revenues less provision for loan losses and general and administrative expenses) of \$26.9 million, or 25.2%, and a \$1.0 million decrease in interest expense, offset by an increase in income tax expense.

Total revenues increased to \$440.6 million in fiscal 2010, a \$48.5 million, or 12.4%, increase over the \$392.2 million in fiscal 2009. Revenues from the 834 offices open throughout both fiscal years increased by 8.1%. At March 31, 2010, the Company had 990 offices in operation, an increase of 46 offices from March 31, 2009.

Interest and fee income during fiscal 2010 increased by \$43.6 million, or 13.1%, over fiscal 2009. This increase resulted from an increase of \$66.9 million, or 13.7%, in average net loans receivable between the two fiscal years. The increase in average loans receivable was attributable to the Company's internal growth. During fiscal 2010, internal growth increased because the Company opened 48 new offices and the average loan balance increased from \$917 to \$971.

Insurance commissions and other income increased by \$4.9 million, or 8.1%, over the two fiscal years. Insurance commissions increased by \$4.8 million, or 14.7%, as a result of the increase in loan volume in states where credit insurance is sold. Other income increased slightly, but there were various changes within other income when comparing the two years, including:

- Revenue from tax preparation increased approximately \$1.0 million, or 10%.
- In fiscal 2010, a \$1.1 million gain on the interest rate swaps was recorded compared to an approximate \$800,000 loss in fiscal 2009.
- In fiscal 2010, the Company extinguished \$18.0 million par value of its convertible notes at a \$2.2 million gain, compared to fiscal 2009, during which \$15.0 million par value of the convertible notes were extinguished at a \$4.0 million gain.
- In fiscal 2009, a \$1.5 million gain was recognized on the sale of a foreign currency option. There was no such gain recorded during fiscal 2010.

See Note 9 to the Consolidated Financial Statements for further discussion regarding this extinguishment of debt.

The provision for loan losses during fiscal 2010 increased by \$4.8 million, or 5.6%, from the previous year. This increase resulted from a combination of increases in both the allowance for loan losses and the amount of loans charged off. Net charge-offs for fiscal 2010 amounted to \$85.6 million, a 5.6% increase over the \$81.1 million charged off during fiscal 2009. Accounts that were 61 days or more past due decreased from 2.7% to 2.4% on a recency basis and from 4.2% to 3.8% on a contractual basis when comparing March 31, 2010 to March 31, 2009. During the current fiscal year, we have also had a reduction in our year-over-year loan losses. Annualized net charge-offs as a percentage of average net loans decreased from 16.7% during fiscal 2009 to 15.5% during fiscal 2010. Although this represents a 120 basis point decrease, the current year ratio is slightly higher than historical charge-off ratios. Historically from fiscal 2002 to fiscal 2006 the charge-offs as a percent of average loans ranged from 14.6% to 14.8%. In fiscal 2007 the Company experienced a temporary decline to 13.3%, which was attributed to a change in the bankruptcy law. However, in fiscal 2008 the ratio returned 14.5%, which was more in line with historical rates.

Because the ratio in fiscal 2010 is slightly higher than historical levels and we did see improvements during fiscal 2010 compared to fiscal 2009, we believe that we will continue to see slight improvement in our loss ratios in the near future, however, there is no assurance they will return to historical levels anytime soon. During fiscal year 2010 our charge-offs as a percent of average net loans decreased to 15.5% from 16.7% in fiscal 2009. We believe our customer base is highly impacted by the cost of basic commodities such as food and energy and unemployment. The cost of basic commodities rose steeply during the first several months of our fiscal 2009 which had a negative impact on our customer's ability to repay outstanding loans. This, in turn, drove our charge-off ratio up significantly over our historical experience. After moderating

Management's Discussion And Analysis

in the second half of fiscal 2009, the costs of basic commodities have risen more gradually during fiscal 2010 allowing our customers to adapt to such costs increases and better manage their ability to repay outstanding loans. The rate of unemployment has also stabilized. We believe these are major factors in the reduction of our charge-off ratio during fiscal 2010.

General and administrative expenses during fiscal 2010 increased by \$16.8 million, or 8.4%, over the previous fiscal year. This increase was due primarily to costs associated with the new offices opened or acquired during the fiscal year. General and administrative expenses, when divided by average open offices, increased slightly when comparing the two fiscal years and, overall, general and administrative expenses as a percent of total revenues decreased from 51.1% in fiscal 2009 to 49.2% during fiscal 2010. This decrease resulted from the reduction of branch openings during fiscal 2010 and management's ongoing monitoring and control of expenses. Management plans to increase the number of branch openings in fiscal 2011 compared to fiscal 2010; therefore, the Company may not experience similar reductions in general and administrative expenses as a percent of total revenues in fiscal 2011.

Interest expense decreased by \$1.0 million, or 6.7%, during fiscal 2010, as compared to the previous fiscal year as a result of a decrease in average debt outstanding of 4.5% and a slight decrease in average interest rates. Average interest rates decreased from 6.7% in fiscal 2009 to 6.5% in fiscal 2010.

Income tax expense increased \$10.7 million, or 30.5%, primarily from an increase in pre-tax income. The effective rate remained consistent at 38.33% in fiscal 2010 compared to 38.31% in fiscal 2009.

Comparison of Fiscal 2009 Versus Fiscal 2008

Net income was \$56.5 million during fiscal 2009, a 12.4% increase over the \$50.3 million earned during fiscal 2008. This increase resulted primarily from an increase in operating income (revenues less provision for loan losses and general and administrative expenses) of \$7.2 million, or 7.2%, a reduction in the income tax effective rate and a reduction in interest expense.

Total revenues increased to \$392.2 million in fiscal 2009, a \$46.1 million, or 13.3%, increase over the \$346.0 million in fiscal 2008. Revenues from the 727 offices open throughout both fiscal years increased by 7.7%. At March 31, 2009, the Company had 944 offices in operation, an increase of 106 offices from March 31, 2008.

Interest and fee income during fiscal 2009 increased by \$39.0 million, or 13.3%, over fiscal 2008. This increase resulted from an increase of \$60.3 million, or 14.1%, in average net loans receivable between the two fiscal years. The increase in average loans receivable was attributable to the Company acquiring approximately \$9.1 million in net loans and internal growth. During fiscal 2009, internal growth increased because the Company opened 98 new offices and the average loan balance increased from \$877 to \$917.

Insurance commissions and other income increased by \$7.1 million, or 13.3%, over the two fiscal years. Insurance commissions increased by \$2.0 million, or 6.7%, as a result of the increase in loan volume in states where credit insurance is sold. Other income increased by \$5.1 million, or 21.9%, over the two years, primarily due to a \$1.5 million gain on the sale of a foreign currency option and a \$4.0 million gain on the extinguishment of \$15 million par value of the Convertible Notes. See Note 9 to the Consolidated Financial Statements for further discussion regarding this extinguishment of debt. This increase was partially offset by approximately a \$0.8 million loss related to our interest rate swap.

The provision for loan losses during fiscal 2009 increased by \$17.9 million, or 26.6%, from the previous year. This increase resulted from a combination of increases in both the allowance for loan losses and the amount of loans charged off. Net charge-offs for fiscal 2009 amounted to \$81.1 million, a 30.9% increase over the \$62.0 million charged off during fiscal 2008. Net charge-offs as a percentage of average loans increased from 14.5% to 16.7% when comparing the two annual periods. We believe the 2.2 percentage point increase resulted from the difficult economic environment and higher energy cost that our customers faced. Accounts that were 61 days or more past due on a recency basis increased from 2.6% to 2.7% and on a contractual basis increased from 4.0% to 4.2% at March 31, 2008 and March 31, 2009, respectively.

General and administrative expenses during fiscal 2009 increased by \$21.0 million, or 11.7%, over the previous fiscal year. This increase was due primarily to costs associated with the new offices opened or acquired during the fiscal year. General and administrative expenses, when divided by average open offices, remained flat when comparing the two fiscal years and, overall, general and administrative expenses as a percent of total revenues decreased from 51.8% in fiscal 2008 to 51.1% during fiscal 2009. This decrease resulted from management's ongoing monitoring and control of expenses.

Interest expense decreased by \$1.1 million, or 6.6%, during fiscal 2009, as compared to the previous fiscal year as a result of a decrease in interest rates, partially offset by an increase in average debt outstanding of 12.1%. Average interest rates decreased from 8.3% in fiscal 2008 to 6.7% in fiscal 2009.

Management's Discussion And Analysis

Income tax expense increased \$2.0 million, or 6.0%, primarily from an increase in pre-tax income. The decrease in the effective rate from 39.7% to 38.3% was a result of the prior year tax examination discussed in Note 14 to our Consolidated Financial Statements.

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. The significant accounting policies used in the preparation of the consolidated financial statements are discussed in Note 1 to the consolidated financial statements. Certain critical 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 and share-based compensation 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. For additional discussion concerning the allowance for loan losses, see "Credit Quality" below.

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 our common stock, 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 our current estimates, such amounts will be recorded as a cumulative adjustment in the period that the estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience. Actual results, and future changes in estimates, may differ substantially from our 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 740 (Prior authoritative literature: FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes") on April 1, 2007. Under FASB ASC 740, the Company includes 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 that considers 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.

Credit Quality

The Company's delinquency and net charge-off ratios reflect, among other factors, changes in the mix of loans in the portfolio, the quality of receivables, the success of collection efforts, bankruptcy trends and general economic conditions.

Management's Discussion And Analysis

Delinquency is computed on the basis of the date of the last full contractual payment on a loan (known as the recency method) and on the basis of the amount past due in accordance with original payment terms of a loan (known as the contractual method). Management closely monitors portfolio delinquency using both methods to measure the quality of the Company's loan portfolio and the probability of credit losses.

The following table classifies the gross loans receivable of the Company that were delinquent on a recency and contractual basis for at least 61 days at March 31, 2010, 2009, and 2008:

	At March 31,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(Dollars in thousands)		
Recency basis:			
61-90 days past due	\$ 11,094	11,304	10,414
91 days or more past due	<u>7,337</u>	<u>6,661</u>	<u>5,003</u>
Total	\$ <u>18,431</u>	<u>17,965</u>	<u>15,417</u>
Percentage of period-end gross loans receivable	<u>2.4%</u>	<u>2.7%</u>	<u>2.6%</u>
Contractual basis:			
61-90 days past due	\$ 14,548	14,223	12,838
91 days or more past due	<u>14,985</u>	<u>13,673</u>	<u>11,123</u>
Total	\$ <u>29,533</u>	<u>27,896</u>	<u>23,961</u>
Percentage of period-end gross loans receivable	<u>3.8%</u>	<u>4.2%</u>	<u>4.0%</u>

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's charge-off policy has been consistently applied and no significant changes have been made to the policy during the periods reported. Management considers the charge-off policy when evaluating the appropriateness of the allowance for loan losses. Charge-offs as a percent of average net loans decreased from 16.7% in fiscal 2009 to 15.5% in fiscal 2010.

In fiscal 2010, approximately 84.7% of the Company's loans were generated through refinancings of outstanding loans and the origination of new loans to previous customers. A refinancing represents a new loan transaction with a present customer in which a portion of the new loan proceeds is used to repay the balance of an existing loan and the remaining portion is advanced to the customer. For fiscal 2010, 2009, and 2008, the percentages of the Company's loan originations that were refinancings of existing loans were 76.4%, 75.0% and 73.3%, respectively. The Company's refinancing policies, while limited by state regulations, in all cases consider the customer's payment history and require that the customer has made at least two payments on the loan being considered for refinancing. A refinancing is considered a current refinancing if the customer is no more than 45 days delinquent on a contractual basis. Delinquent refinancings may be extended to customers that are more than 45 days past due on a contractual basis if the customer completes a new application and the manager believes that the customer's ability and intent to repay has improved. It is the Company's policy to not refinance delinquent loans in amounts greater than the original amounts financed. In all cases, a customer must complete a new application every two years. During fiscal 2010, delinquent refinancings represented less than 2% of the Company's total loan volume compared to 2.1% in fiscal 2009.

Charge-offs, as a percentage of loans made by category, are greatest on loans made to new borrowers and less on loans made to former borrowers and refinancings. This is as expected due to the payment history experience available on repeat borrowers. However, as a percentage of total loans charged off, refinancings represent the greatest percentage due to the volume of loans made in this category. The following table depicts the charge-offs as a percent of loans made by category and as a percent of total charge-offs during fiscal 2010:

	Loan Volume by Category	Percent of Total Charge-offs	Charge-off as a Percent of Total Loans Made by Category
Refinancing	76.4%	76.1%	5.0%
Former borrowers	8.3%	5.2%	3.7%
New borrowers	<u>15.3%</u>	<u>18.7%</u>	9.9%
	<u>100.0%</u>	<u>100.0%</u>	

Management's Discussion And Analysis

The Company maintains an allowance for loan losses in an amount that, in management's opinion, is adequate to cover losses inherent in the existing loan portfolio. The Company charges against current earnings, as a provision for loan losses, amounts added to the allowance to maintain it at levels expected to cover probable losses of principal. When establishing the allowance for loan losses, the Company takes into consideration the growth of the loan portfolio, the mix of the loan portfolio, current levels of charge-offs, current levels of delinquencies, and current economic factors. In accordance with FASB ASC Topic 450 (Prior authoritative literature: Statement of Accounting Standards No. 5 "Accounting for Contingencies"), the Company accrues an estimated loss if it is probable and can be reasonably estimated. It is probable that there are losses in the existing portfolio. To estimate the losses, the Company uses historical information for net charge-offs and average loan life. This method is based on the fact that many customers refinance their loans prior to the contractual maturity. Average contractual loan terms are approximately nine months and the average loan life is approximately four months. Based on this method, the Company had an allowance for loan losses that approximated six months of average net charge-offs at March 31, 2010, 2009, and 2008. Therefore, at each year end the Company had an allowance for loan losses that covered estimated losses for its existing loans based on historical charge-offs and average lives. In addition, the entire loan portfolio turns over approximately three times during a typical twelve-month period. Therefore, a large percentage of loans that are charged off during any fiscal year are not on the Company's books at the beginning of the fiscal year. The Company believes that it is not appropriate to provide for losses on loans that have not been originated, that twelve months of net charge-offs are not needed in the allowance, and that the method employed is in accordance with generally accepted accounting principles.

The Company records acquired loans at fair value based on current interest rates, less an allowance for uncollectibility and collection costs.

FASB ASC Topic 310 (Prior authoritative literature: Statement of Position No. 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer,") was adopted by the Company on April 1, 2005. FASB ASC Topic 310 prohibits carryover or creation of valuation allowances in the initial accounting of all loans acquired in a transfer that are within the scope of the accounting literature. Management 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 there is no consideration paid for acquired loans over 60 days delinquent. For the years ended March 31, 2009 and 2008, the Company recorded adjustments of approximately \$0.5 million and \$0.1 million, respectively, to the allowance for loan losses in connection with acquisitions in accordance generally accepted accounting principles. No adjustment was recorded for the year ended March 31, 2010. These adjustments represent the allowance for loan losses on acquired loans which are not within the scope of FASB ASC Topic 310. The Company believes that its allowance for loan losses is adequate to cover losses in the existing portfolio at March 31, 2010.

The following is a summary of the changes in the allowance for loan losses for the years ended March 31, 2010, 2009, and 2008:

	2010	March 31, 2009	2008
Balance at the beginning of the year	\$ 38,020,770	33,526,147	27,840,239
Provision for loan losses	90,298,934	85,476,092	67,541,805
Loan losses	(94,782,185)	(88,728,498)	(68,985,269)
Recoveries	9,139,923	7,590,928	6,989,297
Translation adjustment	219,377	(306,340)	18,135
Allowance on acquired loans	-	462,441	121,940
Balance at the end of the year	\$ 42,896,819	38,020,770	33,526,147
Allowance as a percentage of loans receivable, net			
of unearned and deferred fees	7.5%	7.6%	7.5%
Net charge-offs as a percentage of average loans receivable ⁽¹⁾	15.5%	16.7%	14.5%

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

Quarterly Information and Seasonality

The Company's loan volume and corresponding loans receivable follow seasonal trends. The Company's highest loan demand typically occurs from October through December, its third fiscal quarter. Loan demand has generally been the lowest and loan repayment highest from January to March, its fourth fiscal quarter. Loan volume and average balances typically remain relatively level during the remainder of the year. This seasonal trend affects quarterly operating performance through corresponding fluctuations in interest and fee income and insurance commissions earned and the provision for loan losses recorded, as well as fluctuations in the Company's cash needs. Consequently, operating results for the Company's third fiscal quarter generally are significantly lower than in other quarters and operating results for its fourth fiscal quarter are significantly higher than in other quarters.

The following table sets forth, on a quarterly basis, certain items included in the Company's unaudited consolidated financial statements and shows the number of offices open during fiscal years 2010 and 2009.

	At or for the Three Months Ended							
	2010				2009			
	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,	December 31,	March 31,
	(Dollars in thousands)							
Total revenues	\$ 100,230	104,206	112,310	123,890	88,421	91,721	99,161	112,849
Provision for loan losses	20,428	25,156	29,633	15,082	17,857	23,307	29,490	14,822
General and administrative expenses	53,333	51,755	55,537	56,387	48,790	48,379	51,716	51,331
Net income	14,635	14,612	14,751	29,663	11,343	9,946	8,863	26,341
Gross loans receivable	\$ 726,057	754,854	838,864	770,265	632,715	667,179	736,234	671,176
Number of offices open	949	966	975	990	872	907	923	944

Recently Issued Accounting Pronouncements

See "Item 8. Financial Statements and Supplementary Data. Note 1. Summary of Significant Accounting Policies," of the Consolidated Financial Statements for the impact of new accounting pronouncements.

Liquidity and Capital Resources

The Company has financed and continues to finance its operations, acquisitions and office expansion through a combination of cash flows from operations and borrowings from its institutional lenders. The Company has generally applied its cash flows from operations to fund its increasing loan volume, fund acquisitions, repay long-term indebtedness, and repurchase its common stock. As the Company's gross loans receivable increased from \$310.1 million at March 31, 2004 to \$770.3 million at March 31, 2010, net cash provided by operating activities for fiscal years 2010, 2009 and 2008 was \$183.6 million, \$153.9 million and \$136.0 million, respectively.

The Company's primary ongoing cash requirements relate to the funding of new offices and acquisitions, the overall growth of loans outstanding, the repayment or repurchase of long-term indebtedness and the repurchase of its common stock. As of March 31, 2010, approximately 6.5 million shares have been repurchased since 2000 for an aggregate purchase price of approximately \$151.1 million. During fiscal 2010 the Company repurchased 38,500 shares for \$1.4 million. In May 2009, the Board of Directors authorized the Company to repurchase \$15 million of the Company's stock. Subsequent to the end of fiscal 2010, on May 11, 2010, the Board of Directors authorized an additional increase of \$20 million in the Company's share repurchase program. Through June 8, 2010, the Company repurchased shares of its common stock for approximately \$27.4 million. See Note 1 – Subsequent Events to the Consolidated Financial Statements. During fiscal 2010 and 2009, the Company repurchased \$18.0 million and \$15.0 million par value of its Convertible Senior Subordinated notes payable,

Management's Discussion And Analysis

respectively. The Company believes stock repurchases and debt 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. In addition, the Company plans to open approximately 55 branches in the United States, 15 branches in Mexico, and evaluate acquisition opportunities in fiscal 2011. Expenditures by the Company to open and furnish new offices generally averaged approximately \$25,000 per office during fiscal 2010. 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 a net of one office and a number of loan portfolios from competitors in six states in nine separate transactions during fiscal 2010. Gross loans receivable purchased in these transactions were approximately \$3.9 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.

The Company has a \$238.3 million base credit facility with a syndicate of banks. The credit facility will expire on July 31, 2011. 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 March 31, 2010, the interest rate on borrowings under the revolving credit facility was 4.25%. The Company pays a commitment fee equal to 0.375% 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 March 31, 2010, \$99.2 million was outstanding under this facility, and there was \$139.1 million of unused borrowing availability under the borrowing base limitations.

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 was in compliance with these agreements at March 31, 2010 and does not believe that these agreements will materially limit its business and expansion strategy.

On October 2, 2006, the Company amended its senior credit facility in connection with the issuance of \$110 million in aggregate principal amount of its 3% convertible senior subordinated notes due October 1, 2011. See Note 8 to the Consolidated Financial Statements included in this report for more information regarding this transaction.

The following table summarizes the Company's contractual cash obligations by period (in thousands):

	<u>Fiscal Year Ended March 31,</u>						
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Thereafter</u>	<u>Total</u>
Convertible Senior Subordinated Notes Payable	\$ -	\$ 77,000	\$ -	\$ -	\$ -	\$ -	\$ 77,000
Maturities of Notes Payable	-	99,150	-	-	-	-	99,150
Interest Payments on Convertible Senior Subordinated Notes Payable	2,310	2,310	-	-	-	-	4,620
Interest Payments on Notes Payable	4,214	1,405	-	-	-	-	5,619
Minimum Lease Payments	<u>14,882</u>	<u>9,866</u>	<u>4,670</u>	<u>657</u>	<u>139</u>	<u>-</u>	<u>30,214</u>
Total	<u>\$ 21,406</u>	<u>\$ 189,731</u>	<u>\$ 4,670</u>	<u>\$ 657</u>	<u>\$ 139</u>	<u>\$ -</u>	<u>\$216,603</u>

Management's Discussion And Analysis

As of March 31, 2010, the Company's contractual obligations relating to FASB ASC 740 included unrecognized tax benefits of \$2.6 million which are expected to be settled in greater than one year. While the settlement of the obligation is expected to be in excess of one year, the precise timing of the settlement is indeterminable.

The Company believes that cash flow from operations and borrowings under its revolving credit facility will be adequate for the next twelve months, and for the foreseeable future thereafter, 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. Except as otherwise discussed in this report, including in Part 1, Item 1A, "Risk Factors," 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 recurring 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. See Part I, Item 1A, "Risk Factors," for a further discussion of risks and contingencies that could affect our business, financial condition and liquidity.

Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

As of March 31, 2010, the Company's financial instruments consist of the following: cash and cash equivalents, loans receivable, senior notes payable, convertible senior subordinated notes payable, and interest rate swaps. Fair value approximates carrying value for all of these instruments, except the convertible senior subordinated notes payable, for which the fair value of \$73.4 million represents the quoted market price. 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 \$99.2 million at March 31, 2010. Interest on borrowings under this facility is based, at the Company's option, on the prime rate or LIBOR plus 3.0%, with a minimum rate of 4.0%.

Based on the outstanding balance at March 31, 2010, a change of 1% in the LIBOR interest rate would cause a change in interest expense of approximately \$200,000 on an annual basis.

In October 2005, the Company entered into an interest rate swap to economically hedge the variable cash flows associated with \$30 million of its LIBOR-based borrowings. This swap converted the \$30 million from a variable rate of one-month LIBOR to a fixed rate of 4.755% for a period of five years. In December 2008, the Company entered into a \$20 million interest rate swap to convert a variable rate of one month LIBOR to a fixed rate of 2.4%. In accordance with FASB ASC Topic 815-10-15 (Prior authoritative literature: SFAS 133), the Company records derivatives at fair value, as other assets or liabilities, on the consolidated balance sheets. Since the Company is not utilizing hedge accounting under FASB ASC Topic 815-10-15, changes in the fair value of the derivative instrument are included in other income. As of March 31, 2010 the fair value of the interest rate swaps was a liability of \$1.3 million and included in other liabilities. The change in fair value from the beginning of the year, recorded as an unrealized gain in other income, was approximately \$1.1 million.

On October 10, 2006, the Company issued \$110 million convertible senior subordinated notes due October 1, 2011 (the "Convertible Notes") to qualified institutional brokers in accordance with Rule 144A of the Securities Act of 1933. The coupon rate on the Convertible Notes is fixed at 3% and is payable semi-annually in arrears on April 1 and October 1 of each year, commencing April 1, 2007. During fiscal 2009 and fiscal 2010, the company repurchased and cancelled \$15.0 million and \$18.0 million, respectively, of the convertible senior subordinated notes. See Note 8 to the Consolidated Financial Statements for more information regarding these repurchases.

Foreign Currency Exchange Rate Risk

In September 2005 the Company began opening offices in Mexico, where 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 rate changes. International revenues were approximately 4.1% of total revenues for the year ended March 31, 2010 and net loans denominated in Mexican pesos were approximately \$21.3 million (USD) at March 31, 2010.

Management's Discussion And Analysis

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 earnings are affected by fluctuations in the value of the U.S. dollar against foreign currencies, an analysis was performed 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 March 31, 2010, the analysis indicated that such market movements would not have had a material effect on the consolidated financial statements. The actual effects on the consolidated financial statements in the future may differ materially from results of the analysis for the year ended March 31, 2010. The Company will continue to monitor and assess the effect of currency fluctuations and may institute further hedging alternatives.

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.

Legal Matters

As of March 31, 2010, the Company and certain of its subsidiaries have been named as defendants in various legal actions arising from their normal business activities in which damages in various amounts are claimed. Although the amount of any ultimate liability with respect to such matters cannot be determined, the Company believes that any such liability will not have a material adverse effect on the Company's consolidated financial condition or results of operations taken as a whole.

CONSOLIDATED BALANCE SHEETS

	March 31,	
	<u>2010</u>	<u>2009</u>
		(As adjusted - Note 2)
Assets		
Cash and cash equivalents	\$ 5,445,168	6,260,410
Gross loans receivable	770,265,207	671,175,985
Less:		
Unearned interest and deferred fees	(199,179,293)	(172,743,440)
Allowance for loan losses	<u>(42,896,819)</u>	<u>(38,020,770)</u>
Loans receivable, net	528,189,095	460,411,775
Property and equipment, net	22,985,830	23,060,360
Deferred income taxes	11,642,590	12,250,834
Other assets, net	11,559,684	9,541,757
Goodwill	5,616,380	5,580,946
Intangible assets, net	<u>7,613,518</u>	<u>8,987,551</u>
	\$ <u>593,052,265</u>	<u>526,093,633</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Senior notes payable	99,150,000	113,310,000
Convertible senior subordinated notes payable	77,000,000	95,000,000
Discount on convertible senior subordinated notes payable	(5,507,959)	(11,268,462)
Income taxes payable	14,043,486	11,412,722
Accounts payable and accrued expenses	<u>25,418,784</u>	<u>21,304,466</u>
Total liabilities	<u>210,104,311</u>	<u>229,758,726</u>
Shareholders' equity:		
Preferred stock, no par value		
Authorized 5,000,000 shares, no shares issued or outstanding	-	-
Common stock, no par value		
Authorized 95,000,000 shares; issued and outstanding 16,521,553		
and 16,211,659 shares at March 31, 2010 and 2009, respectively	-	-
Additional paid-in capital	27,112,822	17,046,310
Retained earnings	357,179,568	283,518,260
Accumulated other comprehensive loss, net of tax	<u>(1,344,436)</u>	<u>(4,229,663)</u>
Total shareholders' equity	<u>382,947,954</u>	<u>296,334,907</u>
Commitments and contingencies		
	\$ <u>593,052,265</u>	<u>526,093,633</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended March 31,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
		(As adjusted - Note 2)	
Revenues:			
Interest and fee income	\$ 375,030,993	331,453,835	292,457,259
Insurance commissions and other income	<u>65,605,147</u>	<u>60,698,020</u>	<u>53,589,596</u>
Total revenues	<u>440,636,140</u>	<u>392,151,855</u>	<u>346,046,855</u>
Expenses:			
Provision for loan losses	<u>90,298,934</u>	<u>85,476,092</u>	<u>67,541,805</u>
General and administrative expenses:			
Personnel	142,482,669	130,674,094	119,483,185
Occupancy and equipment	28,468,673	25,577,437	21,554,655
Data processing	1,925,114	2,307,172	2,112,399
Advertising	12,842,759	13,067,079	12,647,576
Amortization of intangible assets	2,242,517	2,454,872	2,505,465
Other	<u>29,050,275</u>	<u>26,136,095</u>	<u>20,915,465</u>
	217,012,007	200,216,749	179,218,745
Interest expense	<u>13,881,224</u>	<u>14,885,634</u>	<u>15,937,660</u>
Total expenses	<u>321,192,165</u>	<u>300,578,475</u>	<u>262,698,210</u>
Income before income taxes	119,443,975	91,573,380	83,348,645
Income taxes	<u>45,782,667</u>	<u>35,080,790</u>	<u>33,095,596</u>
Net income	\$ <u>73,661,308</u>	<u>56,492,590</u>	<u>50,253,049</u>
Net income per common share:			
Basic	\$ <u>4.52</u>	<u>3.48</u>	<u>2.95</u>
Diluted	\$ <u>4.45</u>	<u>3.43</u>	<u>2.89</u>
Weighted average shares outstanding:			
Basic	<u>16,304,207</u>	<u>16,239,883</u>	<u>17,044,122</u>
Diluted	<u>16,545,703</u>	<u>16,464,403</u>	<u>17,374,746</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss), Net</u>	<u>Total Shareholders' Equity</u>	<u>Total Comprehensive Income</u>
Balances at March 31, 2007	\$ 5,770,665	209,769,808	(47,826)	215,492,647	
Adjustment for change in accounting principle – Note 2	<u>14,961,722</u>	<u>(1,722,905)</u>	<u>-</u>	<u>13,238,817</u>	
Balances at March 31, 2007, as adjusted	20,732,387	208,046,903	(47,826)	228,731,464	
Proceeds from exercise of stock options (116,282 shares), including tax benefits of \$1,110,598	2,724,938	-	-	2,724,938	
Common stock repurchases (1,375,100 shares)	(12,458,946)	(29,403,198)	-	(41,862,144)	
Issuance of restricted common stock under stock option plan (44,981 shares)	1,348,419	-	-	1,348,419	
Stock option expense	3,937,925	-	-	3,937,925	
Cumulative effect of FASB ASC 740-10	-	(550,000)	-	(550,000)	
Other comprehensive income	-	-	217,329	217,329	217,329
Net income	<u>-</u>	<u>50,253,049</u>	<u>-</u>	<u>50,253,049</u>	<u>50,253,049</u>
Total comprehensive income	-	-	-	-	<u>50,470,378</u>
Balances at March 31, 2008	\$16,284,723	228,346,754	169,503	244,800,980	
Proceeds from exercise of stock options (142,683 shares), including tax benefits of \$1,320,974	2,975,335	-	-	2,975,335	
Common stock repurchases (288,700 shares)	(6,527,680)	(1,321,084)	-	(7,848,764)	
Issuance of restricted common stock under stock option plan (78,592 shares)	1,418,031	-	-	1,418,031	
Stock option expense	3,232,229	-	-	3,232,229	
Repurchase and cancellation of Convertible Notes	(336,328)	-	-	(336,328)	
Other comprehensive loss	-	-	(4,399,166)	(4,399,166)	(4,399,166)
Net income	<u>-</u>	<u>56,492,590</u>	<u>-</u>	<u>56,492,590</u>	<u>56,492,590</u>
Total comprehensive income	-	-	-	-	<u>52,093,424</u>
Balances at March 31, 2009	\$17,046,310	283,518,260	(4,229,663)	296,334,907	
Proceeds from exercise of stock options (280,350 shares), including tax benefits of \$1,671,344	7,424,333	-	-	7,424,333	
Common stock repurchases (38,500 shares)	(1,434,657)	-	-	(1,434,657)	
Issuance of restricted common stock under stock option plan (68,044 shares)	1,568,600	-	-	1,568,600	
Stock option expense	3,281,556	-	-	3,281,556	
Repurchase and cancellation of Convertible Notes	(773,320)	-	-	(773,320)	
Other comprehensive income	-	-	2,885,227	2,885,227	2,885,227
Net income	<u>-</u>	<u>73,661,308</u>	<u>-</u>	<u>73,661,308</u>	<u>73,661,308</u>
Total comprehensive income	-	-	-	-	<u>76,546,535</u>
Balances at March 31, 2010	<u>\$27,112,822</u>	<u>357,179,568</u>	<u>(1,344,436)</u>	<u>382,947,954</u>	

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
		(As Adjusted – Note 2)	
Cash flows from operating activities:			
Net income	\$ 73,661,308	56,492,590	50,253,049
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of intangible assets	2,242,517	2,454,872	2,505,465
Amortization of loan costs and discounts	411,622	745,031	763,262
Provision for loan losses	90,298,934	85,476,092	67,541,805
Depreciation	5,766,532	4,784,014	3,760,461
Gain on the extinguishment of debt	(2,238,846)	(3,966,783)	-
Amortization of convertible note discount	3,903,999	4,497,124	4,538,863
Deferred tax expense (benefit)	608,244	3,225,577	(4,817,742)
Compensation related to stock option and restricted stock plans	4,850,156	4,650,260	5,286,344
Unrealized (gain) loss on interest rate swap	(1,107,397)	773,047	1,762,662
Change in accounts:			
Other assets, net	(2,375,923)	(361,495)	(1,305,070)
Income taxes payable	2,675,456	(6,813,159)	5,038,106
Accounts payable and accrued expenses	<u>4,909,399</u>	<u>1,956,920</u>	<u>695,405</u>
Net cash provided by operating activities	<u>183,606,001</u>	<u>153,914,090</u>	<u>136,022,610</u>
Cash flows from investing activities:			
Increase in loans receivable, net	(152,999,243)	(128,590,255)	(125,822,271)
Net assets acquired from office acquisitions, primarily loans	(2,838,303)	(9,153,680)	(3,220,879)
Increase in intangible assets from acquisitions	(903,918)	(1,673,367)	(1,755,698)
Purchases of property and equipment, net	(5,244,623)	(9,862,860)	(7,976,013)
Net cash used in investing activities	<u>(161,986,087)</u>	<u>(149,280,162)</u>	<u>(138,774,861)</u>
Cash flows from financing activities:			
Proceeds (repayment) of senior notes payable, net	(14,160,000)	8,810,000	43,900,000
Repayment of convertible senior subordinated notes	(14,447,500)	(9,179,752)	-
Repayment of other notes payable	-	(400,000)	(200,000)
Proceeds from exercise of stock options	5,752,989	1,654,361	1,614,340
Repurchase of common stock	(1,434,657)	(7,848,764)	(41,862,144)
Tax benefit from exercise of stock options	1,671,344	1,320,974	1,110,598
Net cash (used in) provided by financing activities	<u>(22,617,824)</u>	<u>(5,643,181)</u>	<u>4,562,794</u>
(Decrease) increase in cash and cash equivalents	(997,910)	(1,009,253)	1,810,543
Effect of foreign currency fluctuations on cash	182,668	(319,912)	-
Cash and cash equivalents at beginning of year	<u>6,260,410</u>	<u>7,589,575</u>	<u>5,779,032</u>
Cash and cash equivalents at end of year	<u>\$ 5,445,168</u>	<u>6,260,410</u>	<u>7,589,575</u>

See accompanying notes to consolidated financial statements.

(1) Summary of Significant 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. The following is a description of the more significant of these policies used in preparing the consolidated financial statements.

Nature of Operations

The Company is a small-loan consumer finance company headquartered in Greenville, South Carolina, that offers short-term small loans, medium-term larger loans, related credit insurance products and ancillary products and services to individuals who have limited access to other sources of consumer credit. It also offers income tax return preparation services and access to refund anticipation loans (through a third party bank) to its customer base and to others.

The Company also markets computer software and related services to financial services companies through its ParaData Financial Systems ("ParaData") subsidiary.

As of March 31, 2010, the Company operated 910 offices in South Carolina, Georgia, Texas, Oklahoma, Louisiana, Tennessee, Missouri, Illinois, New Mexico, Kentucky, and Alabama. The Company also operated 80 offices in Mexico. The Company is subject to numerous lending regulations that vary by jurisdiction.

Principles of Consolidation

The consolidated financial statements include the accounts of World Acceptance Corporation and its wholly owned subsidiaries (the "Company"). Subsidiaries consist of operating entities in various states and Mexico, ParaData (a software company acquired during fiscal 1994), WAC Insurance Company, Ltd. (a captive reinsurance company established in fiscal 1994) and Servicios World Acceptance Corporation de Mexico (a service company established in fiscal 2006). All significant intercompany balances and transactions have been eliminated in consolidation.

The financial statements of the Company's foreign subsidiaries in Mexico are prepared using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated into US dollars at the current exchange rate and income and expense are translated at an average exchange rate for the period. The resulting translation gains and losses are recognized as a component of equity in "Accumulated Other Comprehensive Income (Loss)."

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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 amounts of revenues and expenses during the reporting period. The most significant item subject to such estimates and assumptions that could materially change in the near term is the allowance for loan losses. Actual results could differ from those estimates.

Reclassification

Certain prior period amounts have been reclassified to conform to the current presentation. Such reclassifications had no impact on previously reported net income or shareholders' equity.

Business Segments

The Company reports operating segments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 280 (Prior authoritative literature: Statement on Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information"). Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. FASB ASC Topic 280 requires that a public enterprise report a measure of segment profit or loss, certain specific revenue and expense items, segment assets, information about the way that the operating segments were determined and other items.

The Company has one reportable segment, which is the consumer finance company. The other revenue generating activities of the Company, including the sale of insurance products, income tax preparation, buying club and the automobile club, are done in the existing branch network in conjunction with or as a complement to the lending operation. There is no discrete financial information available for these activities and they do not meet the criteria under FASB ASC 280 Topic to be reported separately.

ParaData provides data processing systems to 107 separate finance companies, including the Company. At March 31, 2010 and 2009, ParaData had total assets of \$1.2 million and \$1.7 million, which represented less than 1.0% of total consolidated assets at each fiscal year end. Total net revenues (system sales and support) for ParaData for the years ended March 31, 2010, 2009 and 2008 were \$1.8 million, \$2.0 million and \$2.2 million, respectively, which represented less than 1% of consolidated revenue for each year. Although ParaData is an operating segment under FASB ASC Topic 280, it does not meet the criteria to require separate disclosure.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less from the date of original issuance to be cash equivalents.

Loans and Interest Income

The Company is licensed to originate direct cash consumer loans in the states of Georgia, South Carolina, Texas, Oklahoma, Louisiana, Tennessee, Missouri, Illinois, New Mexico, Kentucky, and Alabama. In addition, the Company also originates direct cash consumer loans in Mexico. During fiscal 2010 and 2009, the Company originated loans generally ranging up to \$4,000, with terms of 36 months or less. Experience indicates that a majority of the direct cash consumer loans are refinanced, and the Company accounts for the refinancing as a new loan. Generally a customer must make multiple payments in order to qualify for refinancing. Furthermore, the Company's lending policy has predetermined lending amounts, so that in most cases a refinancing will result in advancing additional funds. The Company believes that the advancement of additional funds constitutes more than a minor modification to the terms of the existing loan, as the present value of the cash flows under the terms of the new loan will be 10% or more of the present value of the remaining cash flows under the terms of the original loan.

Fees received and direct costs incurred for the origination of loans are deferred and amortized to interest income over the contractual lives of the loans. Unamortized amounts are recognized in income at the time that loans are refinanced or paid in full.

Loans are carried at the gross amount outstanding, reduced by unearned interest and insurance income, net of deferred origination fees and direct costs, and an allowance for loan losses. The Company generally calculates interest revenue on its loans using the rule of 78s, and recognizes the interest revenue using the collection method, which is a cash method of recognizing the revenue. The Company believes that the combination of these two methods does not differ materially from the interest method, which is an accrual method for recognizing the revenue. Charges for late payments are credited to income when collected.

The Company generally offers its loans at the prevailing statutory rates for terms not to exceed 36 months. Management believes that the carrying value approximates the fair value of its loan portfolio.

Allowance for Loan Losses

The Company maintains an allowance for loan losses in an amount that, in management's opinion, is adequate to cover losses inherent in the existing loan portfolio. The Company charges against current earnings, as a provision for loan losses, amounts added to the allowance to maintain it at levels expected to cover probable losses of principal. When establishing the allowance for loan losses, the Company takes into consideration the growth of the loan portfolio, the mix of the loan portfolio, current levels of charge-offs, current levels of delinquencies, and current economic factors. The allowance for loan losses has an allocated and an unallocated component. The Company uses historical and current economic information for net charge-offs by loan type and average loan life by loan type to estimate the allocated component of the allowance for loan losses.

This method is based on the fact that many customers refinance their loans prior to the contractual maturity. Average contractual loan terms are approximately 11 months and the average loan life is approximately four months. The allowance for loan loss model also reserves 100% of the principal on loans greater than 90 days past due on a recency basis. 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's charge-off policy has been consistently applied and no significant changes have been made to the policy during the periods reported. Management considers the charge-off policy when evaluating the appropriateness of the allowance for loan losses.

FASB ASC Topic 310 (Prior authoritative literature: Statement of Position No. 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer,") 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 authoritative literature. 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. Therefore, the Company records acquired loans (not within the scope of FASB ASC Topic 310) at fair value based on current interest rates, less an allowance for loan losses.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is recorded using the straight-line method over the estimated useful life of the related asset as follows: building, 40 years; furniture and fixtures, 5 to 10 years; equipment, 3 to 7 years; and vehicles, 3 years. Amortization of leasehold improvements is recorded using the straight-line method over the lesser of the estimated useful life of the asset or the term of the lease. Additions to premises and equipment and major replacements or improvements are added at cost. Maintenance, repairs, and minor replacements are charged to operating expense as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated statement of operations.

Operating Leases

The Company's office leases typically have a lease term of three years and contain lessee renewal options and cancellation clauses in the event of regulatory changes. The Company typically renews its leases for one or more option periods. Accordingly, the Company amortizes its leasehold improvements over the shorter of their economic lives, which are generally five years, or the lease term that considers renewal periods that are reasonably assured.

Other Assets

Other assets include cash surrender value of life insurance policies, prepaid expenses, debt issuance costs and other deposits.

Derivatives and Hedging Activities

The Company uses interest rate swaps and foreign currency options to economically hedge the variable cash flows associated with \$50 million of its LIBOR-based borrowings and currency fluctuations. Interest rate swap agreements and foreign currency options are carried at fair value. Changes to fair value are recorded each period as a component of the consolidated statement of operations. See Note 10 for further discussion related to the interest rate swaps. As of March 31, 2010 and 2009 the Company did not have any foreign currency options outstanding.

Intangible Assets and Goodwill

Intangible assets include the cost of acquiring existing customers, and the value assigned to non-compete agreements. Customer lists are amortized on a straight line or accelerated basis over their estimated period of benefit, ranging from 5 to 20 years with a weighted average of approximately 9 years. Non-compete agreements are amortized on a straight line basis over the term of the agreement.

The Company evaluates goodwill annually for impairment in the fourth quarter of the fiscal year using the market value-based approach. The Company has one reporting unit, the consumer finance company, and the Company has multiple components, the lowest level of which are individual offices. The Company's components are aggregated for impairment testing because they have similar economic characteristics. The Company writes off goodwill when it closes an office that has goodwill assigned to it. As of March 31, 2010, the Company had 84 offices with recorded goodwill.

Impairment of Long-Lived Assets

The Company assesses impairment of long-lived assets, including property and equipment and intangible assets, whenever changes or events indicate that the carrying amount may not be recoverable. The Company assesses impairment of these assets generally at the office level based on the operating cash flows of the office and the Company's plans for office closings. The Company will write down such assets to fair value if, based on an analysis, the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets. The Company did not record any impairment charges for the fiscal years 2010, 2009 and 2008.

Fair Value of Financial Instruments

FASB ASC Topic 825 (Prior authoritative literature: SFAS No. 107, "*Disclosures about the Fair Value of Financial Instruments*,") requires disclosures about the fair value of all financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. The Company's financial instruments consist of the following: cash and cash equivalents, loans receivable, senior notes payable, convertible senior subordinated notes payable and interest rate swaps. Fair value approximates carrying value for all of these instruments, except the convertible subordinated notes payable. 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 revolving credit facility has a variable rate based on a margin over LIBOR and reprice with any changes in LIBOR. The fair value of convertible subordinated notes payable is based on the current quoted market price which was \$73,388,700 and \$61,701,550 as of March 31, 2010 and 2009, respectively. The carrying value of the convertible subordinated notes payable, net of discount, was \$71,492,041 and \$83,731,538 at March 31, 2010 and 2009, respectively. The swaps are valued based on information from a third party broker.

Insurance Premiums

Insurance premiums for credit life, accident and health, property and unemployment insurance written in connection with certain loans, net of refunds and applicable advance insurance commissions retained by the Company, are remitted monthly to an insurance company. All commissions are credited to unearned insurance commissions and recognized as income over the life of the related insurance contracts using a method similar to that used for the recognition of interest income.

Non-file Insurance

Non-file premiums are charged on certain loans in lieu of recording and perfecting the Company's security interest in the assets pledged. The premiums are remitted to a third-party insurance company. Such insurance and the related insurance premiums, claims, and recoveries are not reflected in the accompanying consolidated financial statements except as a reduction in loan losses (see Note 12).

Certain losses related to such loans, which are not recoverable through life, accident and health, property, or unemployment insurance claims are reimbursed through non-file insurance claims subject to policy limitations. Any remaining losses are charged to the allowance for loan losses.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Beginning with the adoption of FASB ASC Topic 740-10 (Prior authoritative literature: FASB Interpretation No. 48, "*Accounting For Uncertainty in Income Taxes*") as of April 1, 2007, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Prior to the adoption, the Company recognized the effect of income tax positions only if the likelihood of such positions being sustained was probable.

Supplemental Cash Flow Information

For the years ended March 31, 2010, 2009, and 2008, the Company paid interest of \$9,354,502, \$9,373,237 and \$10,788,530, respectively.

For the years ended March 31, 2010, 2009, and 2008, the Company paid income taxes of \$40,628,124, \$37,302,456 and \$32,018,340, respectively.

Earnings Per Share

Earnings per share (“EPS”) are computed in accordance with FASB ASC Topic 260 (Prior authoritative literature: SFAS No. 128, “*Earnings per Share.*”) Basic EPS includes no dilution and is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in the earnings of the Company. Potential common stock included in the diluted EPS computation consists of stock options, restricted stock and warrants, which are computed using the treasury stock method. Potential common stock related to convertible senior notes are included in the diluted EPS computation using the method prescribed by FASB ASC Topic 260-10-45 (Prior authoritative literature: EITF 04-8 “The Effect of Contingently Convertible Instruments on Dilutive Earnings Per Share.”) See Note 15 for the reconciliation of the numerators and denominators for basic and dilutive EPS calculations.

Stock-Based Compensation

FASB ASC Topic 718-10 (Prior authoritative literature: SFAS No. 123R, “Share-Based Payment,”) requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees. FASB ASC Topic 718-10 does not change the accounting guidance for share-based payment transactions with parties other than employees provided in FASB ASC Topic 718-10. Under FASB ASC Topic 718-10, the way an award is classified will affect the measurement of compensation cost. Liability-classified awards are remeasured to fair value at each balance-sheet date until the award is settled. Equity-classified awards are measured at grant-date fair value, amortized over the subsequent vesting period, and are not subsequently remeasured. The fair value of non-vested stock awards for the purposes of recognizing stock-based compensation expense is the market price of the stock on the grant date. The fair value of options is estimated on the grant date using the Black-Scholes option pricing model (see Note 16).

At March 31, 2010, the Company had several share-based employee compensation plans, which are described more fully in Note 16. Effective April 1, 2006, the Company adopted FASB ASC Topic 718 using the modified prospective transition method. Under that method of transition, compensation cost recognized during fiscal years 2008, 2009 and 2010 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of April 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FASB ASC Topic 718, and (b) compensation cost for all share-based payments granted subsequent to April 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of FASB ASC Topic 718. Since this compensation cost is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. FASB ASC Topic 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company has elected to expense grants of awards with graded vesting on a straight-line basis over the requisite service period for each separately vesting portion of the award.

Comprehensive Income

Total comprehensive income consists of net income and other comprehensive income (loss). The Company’s other comprehensive income (loss) and accumulated other comprehensive income (loss) are comprised of foreign currency translation adjustments.

Concentration of Risk

During the year ended March 31, 2010, the Company operated in 11 states in the United States as well as in Mexico. For the years ended March 31, 2010, 2009 and 2008, total revenues within the Company's four largest states (measured by total revenues) accounted for approximately 58%, 59% and 62%, respectively, of the Company's total revenues.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs were approximately \$12.8 million, \$13.1 million and \$12.6 million for fiscal years 2010, 2009 and 2008, respectively

Recently Issued Accounting Pronouncements

FASB Accounting Standards Codification

In June 2009, the FASB issued FASB ASC Topic 105 (Prior authoritative literature SFAS 168), “*The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles.*” FASB ASC Topic 105 replaces SFAS No. 162 and establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. FASB ASC Topic 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this pronouncement did have an impact to the Company’s financial statement disclosures, as all references to authoritative accounting literature have been referenced in accordance with the Codification.

Business Combinations

In December 2007, the FASB issued FASB ASC Topic 805-10 (Prior authoritative literature: SFAS No. 141 (R), “*Business Combinations,*” which replaces SFAS No. 141). FASB ASC 805-10 is effective for the Company April 1, 2009 and establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. FASB ASC Topic 805-10 also establishes disclosure requirements which enable users to evaluate the nature and financial effects of the business combination. FASB ASC Topic 805-10 changes how business combinations are accounted for and impacts financial statements both on the acquisition date and in subsequent periods. The adoption of FASB ASC Topic 805-10 did not have an impact on the Company’s financial position and results of operations, although it may have a material impact on accounting for business combinations in the future which cannot currently be determined.

In April 2009, the FASB issued FASB ASC Topic 805-10-05 (Prior authoritative literature: FSP 141(R)-1 “*Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arises from Contingencies*”). For business combinations, the standard requires the acquirer to recognize at fair value an asset acquired or liability assumed from a contingency if the acquisition date fair value can be determined during the measurement period. FASB ASC Topic 805-10-05 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, with early adoption prohibited. The Company adopted these provisions as of April 1, 2009. FASB ASC Topic 805-10-05 was applied prospectively for acquisitions in fiscal 2010.

Subsequent Events

In May 2009, the FASB issued FASB ASC Topic 855 (Prior authoritative literature: “SFAS No. 165”), “*Subsequent Events,*” which establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before financial statements are available to be issued (“subsequent events”). More specifically, FASB ASC Topic 855 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition in the financial statements, identifies the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that should be made about events or transactions that occur after the balance sheet date. FASB ASC Topic 855 provides largely the same guidance on subsequent events that previously existed only in auditing literature. The disclosure is required in financial statements for interim and annual periods ending after June 15, 2009. The Company has performed an evaluation of subsequent events through the date these Consolidated Financial Statements are filed.

On May 11, 2010, 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 \$15 million announced May 11, 2009. Through June 8, 2010, the Company repurchased 779,321 shares for approximately \$27.4 million. Taking into consideration these repurchases the Company has \$6.2 million in aggregate remaining repurchase capacity under all of the company’s outstanding repurchase authorizations.

Useful Life of Intangible Assets

In April 2008, the FASB issued FASB ASC Topic 350-30-55-1c (Prior authoritative literature: FASB Staff Position No. FAS 142-3), “*Determination of the Useful Life of Intangible Assets.*” FASB ASC Topic 350-30-55-1c applies to all recognized intangible assets and its guidance is restricted to estimating the useful life of recognized intangible assets. FASB ASC Topic 350-30-55-1c is effective for the first fiscal period beginning after December 15, 2008 and must be applied prospectively to intangible assets acquired after the effective date. The Company adopted FASB ASC Topic 350-30-55-1c effective April 1, 2009 with no significant impact to the Consolidated Financial Statements.

Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that Are Not Orderly

FASB ASC Topic 820-10-65-4 (Prior authoritative literature: FASB Staff Position No. FAS 157-4), “*Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that Are Not Orderly,*” provides additional guidance for estimating fair value in accordance with FASB ASC Topic 820 when the volume and level of activity for the asset or liability have significantly decreased. FASB ASC Topic 820-10-65-4 also provides guidance for determining when a transaction is an orderly one. The Company adopted FASB ASC Topic 820-10-65-4 during the quarter ended June 30, 2009 and the adoption did not have a significant impact on the Company’s Consolidated Financial Statements.

Instruments Indexed to an Entity’s Own Stock

In June 2008, the FASB ratified FASB ASC Topic 815-40 (Prior authoritative literature: EITF Issue 07-5, “*Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity’s Own Stock*”). FASB ASC Topic 815-40 provides a new two-step model to be applied to any freestanding financial instrument or embedded feature that has all the characteristics of a derivative in FASB ASC Topic 815-10-15 (Prior authoritative literature: FASB No. 133, “*Accounting for Derivative Instruments and Hedging Activities,*”) in determining whether a financial instrument or an embedded feature is indexed to an issuer’s own stock and thus able to qualify for scope exception. It also adds clarity on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. FASB ASC Topic 815-40 also applies to any freestanding financial instrument that is potentially settled in an entity’s own stock, regardless of whether the instrument has all the characteristics of a derivative in FASB ASC Topic 815-10-15. The Company adopted FASB ASC Topic 815-40 during the quarter ended June 30, 2009 and the adoption did not have a material impact on the Company’s Consolidated Financial Statements.

(2) Change in Accounting Principle

In May 2008, the FASB issued FASB ASC Topic 470-20 (Prior authoritative literature: FASB Staff Position No. APB 14-1 “*Accounting for Convertible Debt Instruments that May be Settled in Cash upon Conversion (Including Partial Cash Settlement)*”). FASB ASC Topic 470-20 applies to any convertible debt instrument that at conversion may be settled wholly or partly with cash, requires cash-settleable convertibles to be separated into their debt and equity components at issuance and prohibits the use of the fair-value option for such instruments. FASB ASC Topic 470-20 was effective for the first fiscal period beginning after December 15, 2008 and was applied

Notes to Consolidated Financial Statements

retrospectively to all periods presented with a cumulative effect adjustment being made as of the earliest period presented. The Company adopted FASB ASC Topic 470-20 effective April 1, 2009. The impact on our Consolidated Financial Statements is as follows:

	Year Ended March 31,					
	2009			2008		
	As Previously Reported	Impact of FASB ASC 470-20	Upon Adoption of FASB ASC 470-20	As Previously Reported	Impact of FASB ASC 470-20	Upon Adoption of FASB ASC 470-20
(in thousands, except per share data)						
Consolidated Statements of Operations						
Insurance						
commissions and other income	\$ 62,251	(1,553)	60,698	53,590	-	53,590
Interest expense	10,389	4,497	14,886	11,569	4,369	15,938
Income before income taxes						
Income taxes	97,624	(6,050)	91,574	87,717	(4,368)	83,349
Income taxes	36,920	(1,839)	35,081	34,721	(1,625)	33,096
Net income	60,703	(4,210)	56,493	52,996	(2,743)	50,253
Earnings per common share						
Basic	\$ 3.74	(0.26)	3.48	3.11	(0.16)	2.95
Diluted	3.69	(0.26)	3.43	3.05	(0.16)	2.89

	As of March 31, 2009		
	As Previously Reported	Impact of FASB ASC 470-20	Upon Adoption of FASB ASC 470-20
	(in thousands)		
Consolidated Balance Sheets			
Deferred income taxes	\$ 16,983	(4,732)	12,251
Other assets, net	9,970	(428)	9,542
Total assets	531,254	(5,160)	526,094
Convertible senior subordinated notes payable, net of discount			
Income taxes payable	95,000	(11,268)	83,732
Total liabilities	11,253	160	11,413
Additional paid-in capital	240,868	(11,109)	229,759
Retained earnings	2,421	14,625	17,046
Total shareholders' equity	292,195	(8,677)	283,518
Total liabilities and shareholders' equity	290,386	5,949	296,335
Total liabilities and shareholders' equity	531,254	(5,160)	526,094

Notes to Consolidated Financial Statements

(3) Accumulated Other Comprehensive Loss

The Company applies the provisions of FASB ASC Topic 220-10 (Prior authoritative literature: SFAS No. 130, "Reporting Comprehensive Income.") The following summarizes accumulated other comprehensive (loss) income as of March 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Balance at beginning of year	\$ (4,229,663)	169,503	(47,826)
Unrealized gain (loss) from foreign exchange translation adjustment	<u>2,885,227</u>	<u>(4,399,166)</u>	<u>217,329</u>
Total accumulated other comprehensive (loss) income	\$ <u>(1,344,436)</u>	<u>(4,229,663)</u>	<u>169,503</u>

(4) Allowance for Loan Losses

The following is a summary of the changes in the allowance for loan losses for the years ended March 31, 2010, 2009, and 2008:

	<u>March 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Balance at the beginning of the year	\$ 38,020,770	33,526,147	27,840,239
Provision for loan losses	90,298,934	85,476,092	67,541,805
Loan losses	(94,782,185)	(88,728,498)	(68,985,269)
Recoveries	9,139,923	7,590,928	6,989,297
Translation adjustment	219,377	(306,340)	18,135
Allowance on acquired loans	-	462,441	121,940
Balance at the end of the year	\$ <u>42,896,819</u>	<u>38,020,770</u>	<u>33,526,147</u>

The Company follows FASB ASC Topic 310 which prohibits carry over 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. Management believes that a loan has shown deterioration if it is over 60 days delinquent. The Company believes that loans acquired 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 FASB ASC Topic 310 and, therefore, subsequent refinances or restructures of these loans would not be accounted for as a new loan.

For the years ended March 31, 2009 and 2008, the Company recorded adjustments of approximately \$0.5 million and \$0.1 million, respectively, to the allowance for loan losses in connection with its acquisitions in accordance generally accepted accounting principles. No adjustment was made for the year ended March 31, 2010. These adjustments represent the allowance for loan losses on acquired loans that do not meet the scope of FASB ASC Topic 310 (also see Note 1).

(5) Property and Equipment

Property and equipment consist of:

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 250,443	250,443
Buildings and leasehold improvements	12,794,625	11,323,770
Furniture and equipment	<u>31,403,537</u>	<u>31,086,255</u>
	44,448,605	42,660,468
Less accumulated depreciation and amortization	<u>(21,462,775)</u>	<u>(19,600,108)</u>
Total	\$ <u>22,985,830</u>	<u>23,060,360</u>

Depreciation expense was approximately \$5,767,000, \$4,784,000 and \$3,760,000 for the years ended March 31, 2010, 2009 and 2008, respectively.

Notes to Consolidated Financial Statements

(6) Intangible Assets

The following table provides the gross carrying amount and related accumulated amortization of definite-lived intangible assets:

	<u>March 31, 2010</u>		<u>March 31, 2009</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Cost of acquiring existing customers	\$ 20,304,885	\$ (12,940,041)	\$ 19,522,401	\$ (10,827,445)
Value assigned to non-compete agreements	\$ 8,042,643	(7,793,969)	7,956,643	(7,664,048)
Total	\$ 28,347,528	\$ (20,734,010)	\$ 27,479,044	\$ (18,491,493)

The estimated amortization expense for intangible assets for future years ended March 31 is as follows: \$1.8 million for 2011; \$1.5 million for 2012, \$1.1 million for 2013; \$0.8 million for 2014; \$0.4 million for 2015; and an aggregate of \$2.0 million for the years thereafter.

(7) Goodwill

The following summarizes the changes in the carrying amount of goodwill for the year ended March 31, 2010 and 2009:

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Balance at beginning of year		
Goodwill	\$ 5,580,946	5,352,675
Accumulated goodwill impairment losses	-	-
	\$ 5,580,946	5,352,675
Goodwill acquired during the year	\$ 35,434	228,271
Impairment losses	-	-
Balance at end of year		
Goodwill	\$ 5,616,380	5,580,946
Accumulated goodwill impairment losses	-	-
	\$ 5,616,380	5,580,946

The Company performed an annual impairment test during the fourth quarter of fiscal 2010 and determined that none of the recorded goodwill was impaired.

(8) Notes Payable

The Company's notes payable consist of:

Senior Notes Payable \$238,317,000 Revolving Credit Facility

This facility provides for borrowings of up to \$238,317,000, with \$99,150,000 outstanding at March 31, 2010, subject to a borrowing base formula. The Company may borrow, at its option, at the rate of prime or LIBOR plus 3.00% with a minimum of 4.00%. At March 31, 2010 and 2009, the Company's interest rate was 4.25% and 3.25%, respectively, and the unused amount available under the revolver at March 31, 2010 was \$139.2 million. The revolving credit facility has a commitment fee of 0.375% per annum on the unused portion of the commitment. Borrowings under the revolving credit facility mature on July 31, 2011.

A member of the Company's Board of Directors serves as a Director of The South Financial Group, which is the parent of Carolina First Bank. As of March 31, 2010, Carolina First Bank had committed to fund up to \$25.9 million under the credit facility.

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

Convertible Senior Notes

On October 10, 2006, the Company issued \$110 million aggregate principal amount of its 3.0% convertible senior subordinated notes due October 1, 2011 (the “Convertible Notes”) to qualified institutional brokers in accordance with Rule 144A of the Securities Act of 1933. Interest on the Convertible Notes is payable semi-annually in arrears on April 1 and October 1 of each year, commencing April 1, 2007. The Convertible Notes are the Company’s direct, senior subordinated, unsecured obligations and rank equally in right of payment with all existing and future unsecured senior subordinated debt of the Company, senior in right of payment to all of the Company’s existing and future subordinated debt and junior to all of the Company’s existing and future senior debt. The Convertible Notes are structurally junior to the liabilities of the Company’s subsidiaries. The Convertible Notes are convertible prior to maturity, subject to certain conditions described below, at an initial conversion rate of 16.0229 shares per \$1,000 principal amount of notes, which represents an initial conversion price of approximately \$62.41 per share, subject to adjustment. Upon conversion, the Company will pay cash up to the principal amount of notes converted and deliver shares of its common stock to the extent the daily conversion value exceeds the proportionate principal amount based on a 30 trading-day observation period.

Holders may convert the Convertible Notes prior to July 1, 2011 only if one or more of the following conditions are satisfied:

- During any fiscal quarter commencing after December 31, 2006, if the last reported sale price of the common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 120% of the applicable conversion price on such last trading day;
- During the five business day period after any ten consecutive trading day period in which the trading price per note for each day of such ten consecutive trading day period was less than 98% of the product of the last reported sale price of the Company’s common stock and the applicable conversion rate on each such day; or
- The occurrence of specified corporate transactions.

If the Convertible Notes are converted in connection with certain fundamental changes that occur prior to October 1, 2011, the Company may be obligated to pay an additional make-whole premium with respect to the Convertible Notes converted. If the Company undergoes certain fundamental changes, holders of Convertible Notes may require the Company to purchase the Convertible Notes at a price equal to 100% of the principal amount of the Convertible Notes purchased plus accrued interest to, but excluding, the purchase date.

Holders may also surrender their Convertible Notes for conversion anytime on or after July 1, 2011 until the close of business on the third business day immediately preceding the maturity date, regardless of whether any of the foregoing conditions have been satisfied.

The contingent conversion feature was not required to be bifurcated and accounted for separately under the provisions of FASB ASC Topic 815-10-15.

The aggregate underwriting commissions and other debt issuance costs incurred with respect to the issuance of the Convertible Notes were approximately \$3.6 million and are being amortized over the period the convertible senior notes are outstanding.

Convertible Notes Hedge Strategy

Concurrent and in connection with the sale of the Convertible Notes, the Company purchased call options to purchase shares of the Company’s common stock equal to the conversion rate as of the date the options are exercised for the Convertible Notes, at a price of \$62.41 per share. The cost of the call options totaled \$24.6 million. The Company also sold warrants to the same counterparties to purchase from the Company an aggregate of 1,762,519 shares of the Company’s common stock at a price of \$73.97 per share and received net proceeds from the sale of these warrants of \$16.2 million. Taken together, the call option and warrant agreements increased the effective conversion price of the Convertible Notes to \$73.97 per share. The call options and warrants must be settled in net shares. On the date of settlement, if the market price per share of the Company’s common stock is above \$73.97 per share, the Company will be required to deliver shares of its common stock representing the value of the call options and warrants in excess of \$73.97 per share.

The warrants have a strike price of \$73.97 and are generally exercisable at anytime. The Company issued and sold the warrants in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended,

Notes to Consolidated Financial Statements

by virtue of section 4(2) thereof. There were no underwriting commissions or discounts in connection with the sale of the warrants.

In accordance with FASB ASC Topic 815-40 (Prior authoritative literature: EITF. No. 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, the Company's Own Stock,") the Company accounted for the call options and warrants as a net reduction in additional paid in capital, and is not required to recognize subsequent changes in fair value of the call options and warrants in its consolidated financial statements.

Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion

On April 1, 2009, we adopted FASB ASC Topic 470-20 (Prior authoritative literature: FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*). FASB ASC Topic 470-20 requires the convertible debt to be separated between its liability and equity components, in a manner that reflects our non-convertible debt borrowing rate, determined to be 8.7% at the time of the issuance of the convertible notes, and must be applied retroactively to all periods presented. See Note 2 for disclosure about the financial statement impact of our adoption of FASB ASC 470-20.

The carrying amounts of the debt and equity components are as follows:

	At March 31,	
	2010	2009
	(in thousands)	
Face value of convertible debt	\$ 77,000	95,000
Unamortized discount	<u>(5,508)</u>	<u>(11,268)</u>
Net carrying amount of debt component	\$ <u>71,492</u>	<u>83,732</u>
Carrying amount of equity component	\$ <u>22,586</u>	<u>23,359</u>

The interest expense relating to both the contractual interest coupon and amortization of the discount on the liability component are as follows:

	At March 31,	
	2010	2009
	(in thousands)	
Contractual interest coupon	\$ 2,560	3,234
Amortization of the discount on the liability component	<u>3,904</u>	<u>4,497</u>
Total interest expense on convertible notes	\$ <u>6,464</u>	<u>7,731</u>

For fiscal 2010 and 2009, the effective interest rate on the liability component was 8.4%. Due to the combination of put, call and conversion options that are part of the terms of the convertible note agreement, the remaining discount on the liability component will be amortized over 16 months.

Debt Covenants

The various debt agreements contain restrictions on the amounts of permitted indebtedness, investments, working capital, repurchases of common stock and cash dividends. At March 31, 2010, \$67.1 million was available under these covenants for the payment of cash dividends, or the repurchase of the Company's common stock, or the repurchase of subordinated debt. In addition, the agreements restrict liens on assets and the sale or transfer of subsidiaries.

The aggregate annual maturities of the notes payable for each of the fiscal years subsequent to March 31, 2010, are as follows: 2011, \$0; 2012, \$176,150,000; and none thereafter.

(9) Extinguishment Of Debt

During fiscal 2010, the Company repurchased, in privately negotiated transactions, an aggregate principal amount of \$18.0 million of its Convertible Notes at an average discount to face value of approximately 19.7%. The Company spent approximately \$14.4 million in the aggregate on these repurchases. The transactions were treated as an extinguishment of debt for accounting purposes. The Company recorded a gain of approximately \$2.2 million on

Notes to Consolidated Financial Statements

the repurchase of the Convertible Notes, which was partially offset by the write-off of \$230,000 of deferred financing costs associated with the repurchase and cancellation of Convertible Notes.

During fiscal 2009, the Company repurchased, in privately negotiated transactions, an aggregate principal amount of \$15.0 million of its Convertible Notes at an average discount to face value of approximately 38.8%. The Company spent approximately \$9.2 million in the aggregate on these repurchases. The transactions were treated as an extinguishment of debt for accounting purposes. The Company recorded a gain of approximately \$4.0 million on the repurchase of the Convertible Notes, which was partially offset by the write-off of \$300,000 of deferred financing costs associated with the repurchase and cancellation of Convertible Notes.

(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, the Company pays a fixed rate of 2.4% on the \$20 million notional amount and receives payments from a counterparty based on the 1 month LIBOR rate for a term ending December 8, 2011. Interest rate differentials paid or received under the swap agreement are recognized as adjustments to interest expense.

On October 5, 2005, the Company entered into an interest rate swap with a notional amount of \$30 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, the Company will pay a fixed rate of 4.755% on the \$30 million notional amount and receive payments from a counterparty based on the 1 month LIBOR rate for a term ending October 5, 2010. Interest rate differentials paid or received under the swap agreement are recognized as adjustments to interest expense.

On May 15, 2008, the Company entered into a \$10 million foreign currency exchange option to economically hedge its foreign exchange risk relative to the Mexican peso. Under the terms of the option contract, the Company could exchange \$10 million U.S. dollars at a rate of 11.0 Mexican pesos per dollar. The option was sold in October 2008 and the Company recorded a \$1.5 million net gain.

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

	Interest Rate Swaps
March 31, 2010:	
Accounts payable and accrued expenses	\$ <u>1,336,269</u>
Fair value of derivative instrument	\$ <u>1,336,269</u>
March 31, 2009:	
Accounts payable and accrued expenses	\$ <u>2,443,666</u>
Fair value of derivative instrument	\$ <u>2,443,666</u>

Both of the interest rate swaps are currently in liability positions, therefore there is no significant risk of loss related to counterparty credit risk.

The gains (losses) recognized in the Company's Consolidated Statements of Operations as a result of the interest rate swaps and foreign currency exchange option are as follows:

	March 31, 2010	Year Ended March 31, 2009	March 31, 2008
Realized losses:			
Interest rate swaps – included as a component of interest expense	\$ <u>(1,784,575)</u>	<u>(895,813)</u>	<u>39,042</u>
Foreign currency exchange option – included as a component of other income	\$ <u>-</u>	<u>(1,548,500)</u>	<u>-</u>
Unrealized gains (losses) included as a component of other income			
Interest rate swaps	\$ <u>1,107,397</u>	<u>(773,047)</u>	<u>1,762,662</u>
Foreign currency exchange option	\$ <u>-</u>	<u>-</u>	<u>6,900</u>

Notes to Consolidated Financial Statements

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 and to reduce variability in foreign cash flows. 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 swap and option 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 or implied volatility of exchange rates. The Company manages the market risk associated with interest rate contracts and currency options 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 and foreign currency risk management activities is fully incorporated in the Company's market risk sensitivity analysis.

(11) Insurance Commissions and other income

Insurance commissions and other income for the years ending March 31, 2010, 2009 and 2008 consist of:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Insurance commissions	\$ 37,194,717	32,430,496	30,403,085
Tax return preparation revenue	10,850,852	9,868,849	9,657,325
Gain on extinguishment of debt, net	2,238,846	3,966,783	-
Auto club membership revenue	4,536,074	4,088,500	4,297,327
World Class Buying Club revenue	3,832,884	3,780,851	4,582,273
Other	<u>6,951,774</u>	<u>6,562,541</u>	<u>4,649,586</u>
Insurance commissions and other income	<u>\$ 65,605,147</u>	<u>60,698,020</u>	<u>53,589,596</u>

(12) Non-file Insurance

The Company maintains non-file insurance coverage with an unaffiliated insurance company. The following is a summary of the non-file insurance activity for the years ended March 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Insurance premiums written	\$ 6,227,752	5,768,316	5,885,108
Recoveries on claims paid	\$ 646,229	598,887	553,035
Claims paid	\$ 6,136,490	5,620,489	5,987,181

(13) Leases

The Company conducts most of its operations from leased facilities, except for its owned corporate office building. The Company's leases typically have a lease term of three years and contain lessee renewal options. A majority of the leases provide that the lessee pays property taxes, insurance, and common area maintenance costs. It is expected that in the normal course of business, expiring leases will be renewed at the Company's option or replaced by other leases or acquisitions of other properties. All of the Company's leases are operating leases.

The future minimum lease payments under noncancelable operating leases as of March 31, 2010, are as follows:

2011	14,882,455
2012	9,865,701
2013	4,670,054
2014	657,511
2015	138,777
Thereafter	-
Total future minimum lease payments	<u>\$30,214,498</u>

Rental expense for cancelable and noncancelable operating leases for the years ended March 31, 2010, 2009 and 2008, was \$15,865,447, \$14,257,168 and \$12,198,271, respectively.

Notes to Consolidated Financial Statements

(14) **Income Taxes**

Income tax expense (benefit) consists of:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Year ended March 31, 2010:			
U.S. Federal	\$ 39,979,719	525,900	40,505,619
State and local	4,918,495	82,344	5,000,839
Foreign	<u>276,209</u>	<u>-</u>	<u>276,209</u>
	<u>\$ 45,174,423</u>	<u>608,244</u>	<u>45,782,667</u>
Year ended March 31, 2009:			
U.S. Federal	27,459,617	3,311,357	30,770,974
State and local	4,351,570	(85,780)	4,265,790
Foreign	<u>44,026</u>	<u>-</u>	<u>44,026</u>
	<u>\$ 31,855,213</u>	<u>3,225,577</u>	<u>35,080,790</u>
Year ended March 31, 2008:			
U.S. Federal	\$ 33,340,513	(3,954,130)	29,386,383
State and local	3,987,193	(863,612)	3,123,581
Foreign	<u>585,632</u>	<u>-</u>	<u>585,632</u>
	<u>\$ 37,913,338</u>	<u>(4,817,742)</u>	<u>33,095,596</u>

Income tax expense was \$45,782,667, \$35,080,790 and \$33,095,596, for the years ended March 31, 2010, 2009 and 2008, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax income from continuing operations as a result of the following:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expected income tax	\$ 41,805,391	32,050,683	29,172,026
Increase (reduction) in income taxes resulting from:			
State tax, net of federal benefit	3,250,545	2,772,764	2,030,328
Change in valuation allowance	60	(405,425)	(335,361)
Insurance income exclusion	(237,574)	(108,636)	(117,834)
Uncertain tax positions	420,594	539,211	1,408,734
Other, net	<u>543,651</u>	<u>232,193</u>	<u>937,703</u>
	<u>\$ 45,782,667</u>	<u>35,080,790</u>	<u>33,095,596</u>

Notes to Consolidated Financial Statements

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2010 and 2009 are presented below:

	<u>2010</u>	<u>2009</u>
Deferred tax assets:		
Allowance for doubtful accounts	\$ 13,726,075	14,167,863
Unearned insurance commissions	9,841,960	8,790,135
Accounts payable and accrued expenses primarily related to employee benefits	7,119,122	6,512,665
Accrued interest receivable	2,606,892	2,595,154
Convertible notes	1,016,063	-
Unrealized losses	499,030	909,896
Other		
Gross deferred tax assets	34,810,416	33,090,517
Less valuation allowance	<u>(1,274)</u>	<u>(1,214)</u>
Net deferred tax assets	34,809,142	33,089,303
Deferred tax liabilities:		
Fair value adjustment for loans	(15,393,253)	(13,669,377)
Property and equipment	(3,492,473)	(2,342,782)
Intangible assets	(1,944,965)	(1,845,039)
Deferred net loan origination fees	(1,437,409)	(1,402,423)
Prepaid expenses	(554,549)	(544,657)
Convertible notes	-	(703,030)
Other	<u>(343,903)</u>	<u>(331,161)</u>
Gross deferred liabilities	<u>(23,166,552)</u>	<u>(20,838,469)</u>
Net deferred tax assets	\$ <u>11,642,590</u>	<u>12,250,834</u>

The valuation allowance for deferred tax assets as of March 31, 2010 and 2009 was \$1,274 and \$1,214, respectively. The valuation allowance against the total deferred tax assets as of March 31, 2010 and 2009 relates to state net operating losses. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income prior to the expiration of the deferred tax assets governed by the tax code. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at March 31, 2010. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Company is required to assess whether the earnings of the Company's Mexican foreign subsidiary 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 March 31, 2010, the Company has determined that \$20,097 of cumulative undistributed net losses, as well as the future net earnings, of the Mexican foreign subsidiaries will be permanently reinvested.

The Company adopted the provision of FASB ASC Topic 740-10, on April 1, 2007. As a result of the implementation, the Company recognized a charge of approximately \$550,000 to the April 1, 2007 balance of retained earnings. As of March 31, 2010 and March 31, 2009, the Company had \$5,762,087 and \$4,715,681 of total gross unrecognized tax benefits including interest, respectively. Of this total, approximately \$3,168,539 and \$2,747,945, respectively, represents the amount of unrecognized tax benefits that are permanent in nature and, if recognized, would affect the annual effective tax rate.

Notes to Consolidated Financial Statements

	For the year ended March 31, 2008		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Income available to common shareholders	\$50,253,049	17,044,122	\$ <u>2.95</u>
Effect of Dilutive Securities			
Options and restricted stock	<u>-</u>	<u>330,624</u>	
Diluted EPS			
Income available to common shareholders plus assumed exercises of stock options	<u>\$50,253,049</u>	<u>17,374,746</u>	\$ <u>2.89</u>

Options to purchase 100,152, 130,583 and 183,030 shares of common stock at various prices were outstanding during the years ended March 31, 2010, 2009 and 2008, respectively, but were not included in the computation of diluted EPS because the option exercise price was greater than the average market price of the common shares. The shares related to the convertible senior notes payable (1,762,519) and related warrants were not included in the computation of diluted EPS because the effect of such instruments was antidilutive.

(16) Benefit Plans

Retirement Plan

The Company provides a defined contribution employee benefit plan (401(k) plan) covering full-time employees, whereby employees can invest up to the maximum designated for that year. The Company makes a matching contribution equal to 50% of the employees' contributions for the first 6% of gross pay. The Company's expense under this plan was \$1,059,884, \$1,078,987 and \$1,078,896, for the years ended March 31, 2010, 2009 and 2008, respectively.

Supplemental Executive Retirement Plan

The Company has instituted a Supplemental Executive Retirement Plan ("SERP"), which is a non-qualified executive benefit plan in which the Company agrees to pay the executive additional benefits in the future, usually at retirement, in return for continued employment by the executive. The Company selects the key executives who participate in the SERP. The SERP is an unfunded plan, which means there are no specific assets set aside by the Company in connection with the establishment of the plan. The executive has no rights under the agreement beyond those of a general creditor of the Company. For the years ended March 31, 2010, 2009 and 2008, contributions of \$928,407, \$806,792 and \$836,977, respectively were charged to operations related to the SERP. The unfunded liability was \$5,385,106, \$4,722,000 and \$4,000,000, as of March 31, 2010, 2009 and 2008, respectively.

In May 2009, the Company instituted a second Supplemental Executive Retirement Plan ("SERP") to provide to one executive the same type of benefits as are in the original SERP but for which he would not have qualified due to age. This second SERP is also an unfunded plan with no specific assets set aside by the Company in connection with the plan.

For the three years presented, the unfunded liability was estimated using the following assumptions; an annual salary increase of 3.5% for all 3 years; a discount rate of 6% for all 3 years; and a retirement age of 65.

Executive Deferred Compensation Plan

The Company has an Executive Deferral Plan. Eligible executives may elect to defer all or a portion of their incentive compensation to be paid under the Executive Incentive Plan. As of March 31, 2010 and 2009, no executive had deferred compensation under this plan.

Stock Option Plans

The Company has a 1994 Stock Option Plan, a 2002 Stock Option Plan, a 2005 Stock Option Plan, and a 2008 Stock Option Plan for the benefit of certain directors, officers, and key employees. Under these plans, 4,850,000 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, may be subject to certain vesting requirements, which are generally one year for directors and five years for officers and key employees, and are priced at the market value of the Company's common stock on the date of grant of the option. At March 31, 2010, there were 516,895 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 (Prior authoritative literature: SFAS No. 123(R), "Share Based Payment"). 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. The Company elected to use the modified prospective transition method, and did not retroactively adjust results from prior periods. Under this transition method, stock option compensation is recognized as an expense over the remaining unvested portion of all stock option awards granted prior to April 1, 2006, 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 years ended March 31, 2010, 2009 and 2008 was \$15.32, \$8.51 and \$14.41 per share, respectively. The following is a summary of the Company's weighted-average assumptions used to estimate the weighted-average per share fair value of options granted on the date of grant using the Black-Scholes option-pricing model:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Dividend yield	0%	0%	0%
Expected volatility	56.69%	50.67%	43.0%
Average risk-free interest rate	2.69%	2.75%	4.00%
Expected life	6.6 years	5.9 years	6.9 years
Vesting period	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 interest rate reflects the interest rate at grant date on zero-coupon U.S. governmental bonds that have a remaining life similar to the expected option term.

Option activity for the year ended March 31, 2010, was as follows:

	<u>2010</u>			
	<u>Weighted Average Exercise Shares</u>	<u>Price</u>	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding, beginning of year	1,390,900	\$ 25.00		
Granted	295,750	\$ 26.73		
Exercised	(280,350)	\$ 20.52		
Forfeited	(12,950)	\$ 29.07		
Options outstanding, end of year	<u>1,393,350</u>	<u>\$ 26.23</u>	<u>7.04</u>	<u>\$ 16,316,003</u>
Options exercisable, end of year	<u>560,100</u>	<u>\$ 26.06</u>	<u>5.02</u>	<u>\$ 7,161,021</u>

Notes to Consolidated Financial Statements

The aggregate intrinsic value reflected in the table above represents the total pre-tax intrinsic value (the difference between the closing stock price on March 31, 2010 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 March 31, 2010. This amount will change as the market price per share changes. The total intrinsic value of options exercised during the periods ended March 31, 2010, 2009 and 2008 were as follows:

<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 4,638,423	\$ 2,833,497	\$ 2,503,399

As of March 31, 2010, total unrecognized stock-based compensation expense related to non-vested stock options amounted to \$7,460,763 which is expected to be recognized over a weighted-average period of approximately 3.65 years.

The following table summarizes information regarding stock options outstanding at March 31, 2010:

<u>Range of Exercise Price</u>	<u>Options Outstanding</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Weighted Average Exercise Price</u>	<u>Options Exercisable</u>	<u>Weighted Average Exercise Price</u>
\$ 4.90 - \$5.99	13,150	0.56	\$ 5.03	13,150	\$ 5.03
\$ 6.00 - \$ 7.99	18,000	1.08	\$ 6.75	18,000	\$ 6.75
\$ 8.00 - \$ 9.99	60,900	1.91	\$ 8.48	60,900	\$ 8.48
\$11.00 - \$11.99	31,500	3.13	\$ 11.44	31,500	\$ 11.44
\$15.00 - \$16.99	303,300	7.78	\$ 16.71	64,700	\$ 16.18
\$23.00 - \$23.99	44,100	4.58	\$ 23.53	44,100	\$ 23.53
\$25.00 - \$25.99	139,200	5.83	\$ 25.08	104,000	\$ 25.08
\$26.00 - \$27.99	295,750	9.62	\$ 26.73	-	\$ -
\$28.00 - \$28.99	279,400	7.05	\$ 28.22	100,000	\$ 28.25
\$43.00 - \$43.99	7,000	7.15	\$ 43.00	2,800	\$ 43.00
\$46.00 - \$49.00	<u>201,050</u>	<u>6.62</u>	<u>\$ 48.72</u>	<u>120,950</u>	<u>\$ 48.72</u>
\$ 4.90 - \$49.00	<u>1,393,350</u>	<u>7.04</u>	<u>\$ 26.23</u>	<u>560,100</u>	<u>\$ 26.06</u>

Restricted Stock

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 executive officers and other officers of the Company. One-third of the restricted stock vested immediately and one-third will vest on the first and second anniversary of the grant. 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 the same 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:

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

On April 30, 2009 and May 11, 2009 the Company granted 15,000 shares and 3,000 shares of restricted stock (which are equity classified), respectively, with a grant date fair value of \$29.68 and \$20.41 per share, respectively, to independent directors and a certain officer. All of these grants vested immediately.

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 executive officers. One-third of the restricted stock grant vested immediately and one-third will vest on the first and second anniversary of grant. 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

Notes to Consolidated Financial Statements

\$16.85 per share, to the same executive officers. The 29,100 shares will vest in three years based on the Company's compounded annual EPS growth according to the following schedule:

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

On May 19, 2008 the Company granted 12,000 shares of restricted stock (which are equity classified) with a grant date fair value of \$43.67 per share to independent directors and a certain officer. One-half of the restricted stock vested immediately and the other half vested on the first anniversary of grant.

On November 28, 2007, the Company granted 20,800 shares of restricted stock (which are equity classified), with a grant date fair value of \$30.94 per share, to certain executive officers. One-third of the restricted stock vested immediately and one-third vested on the first and second anniversaries of grant. The Company granted an additional 15,150 shares of restricted stock (which are equity classified), with a grant date fair value of \$30.94 per share, to the same executive officers. The 15,150 shares will vest in three years based on the Company's compounded annual EPS growth according to the following schedule:

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

On November 12, 2007, the Company granted 8,000 shares of restricted stock (which are equity classified), with a grant date fair value of \$28.19 per share, to certain officers. One-third of the restricted stock vested immediately and one-third vested on each of the first and second anniversaries of grant.

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 \$1.95 million, \$1.7 million and \$1.6 million of compensation expense for the years ended March 31, 2010, 2009 and 2008, respectively, related to restricted stock, which is included as a component of general and administrative expenses in the Consolidated Statements of Operations. For purposes of accruing the expense, all shares are expected to vest.

As of March 31, 2010, there was approximately \$1.49 million of unrecognized compensation cost related to unvested restricted stock awards granted, which is expected to be recognized over the next two years.

A summary of the status of the Company's restricted stock as of March 31, 2010, and changes during the year ended March 31, 2010, are presented below:

	<u>Number of Shares</u>	<u>Weighted Average Fair Value at Grant Date</u>
Outstanding at March 31, 2009	80,246	\$ 22.94
Granted during the period	82,505	27.04
Vested during the period, net	(64,063)	26.68
Cancelled during the period	(14,461)	26.41
Outstanding at March 31, 2010	<u>84,227</u>	<u>\$23.52</u>

Notes to Consolidated Financial Statements

Total share-based compensation included as a component of net income during the years ended March 31, was as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Share-based compensation related to equity classified units:			
Share-based compensation related to stock options	\$ 3,281,556	3,232,229	3,937,925
Share-based compensation related to restricted stock units	<u>1,950,488</u>	<u>1,685,616</u>	<u>1,556,902</u>
 Total share-based compensation related to equity classified awards	 <u>\$ 5,232,044</u>	 <u>4,917,845</u>	 <u>5,494,827</u>

(17) Acquisitions

The following table sets forth the acquisition activity of the Company for the last three fiscal years:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
		(\$ in thousands)	
Number of offices purchased	23	22	25
Merged into existing offices	22	11	12
Purchase Price	\$ 3,742	10,826	4,977
Tangible assets:			
Net loans	2,832	9,083	3,086
Furniture, fixtures & equipment	3	68	128
Other	<u>3</u>	<u>2</u>	<u>7</u>
	<u>2,838</u>	<u>9,153</u>	<u>3,221</u>
Excess of purchase price over fair value of net tangible assets	\$ <u>904</u>	<u>1,673</u>	<u>1,756</u>
Customer lists	783	1,360	1,327
Non-compete agreements	86	85	116
Goodwill	<u>35</u>	<u>228</u>	<u>313</u>
Total intangible assets	\$ <u>904</u>	<u>1,673</u>	<u>1,756</u>

The Company evaluates each acquisition to determine if the transaction meets the definition of a business combination. Those transactions that meet the definition of a business combination are accounted for as such under FASB ASC Topic 805-10 (Prior authoritative literature: SFAS No. 141(R)) and all other acquisitions are accounted for as asset purchases. All acquisitions have been with 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 year ended March 31, 2010, 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 year ended March 31, 2010, 22 acquisitions were recorded as asset acquisitions.

The Company's acquisitions include tangible assets (generally loans and 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.

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 the fair value. 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 (Prior authoritative literature: SFAS No. 144). 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 generally 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.

(18) Fair Value

Effective April 1, 2008, the first day of fiscal 2009, the Company adopted the provisions of FASB ASC Topic 820 (Prior authoritative literature: SFAS No. 157, "Fair Value Measurements") for financial assets and liabilities, as well as any other assets and liabilities that are carried at fair value on a recurring basis in financial statements. FASB ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB ASC Topic 820 applies under other accounting pronouncements in which the FASB has previously concluded that fair value is the relevant measurement attribute. Accordingly, FASB ASC Topic 820 does not require any new fair value measurements. Effective April 1, 2009, the Company adopted the provisions of FASB ASC Topic 820 for nonfinancial assets and liabilities which were previously deferred under the provisions of FASB ASC Topic 820-10-65 (Prior authoritative literature: FSP FAS 157-2).

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:

- o Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- o 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 market that are less active.
- o Level 3 – Unobservable inputs for assets or liabilities reflecting the reporting entity's own assumptions.

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

	Fair Value Measurements Using			
	March 31,	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swaps				
2010	\$1,336,269	\$ -	\$1,336,269	\$ -
2009	\$2,443,666	\$ -	\$2,443,666	\$ -

Notes to Consolidated Financial Statements

The Company's interest rate swaps were 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.

There were no assets or liabilities measured at fair value on a non recurring basis during fiscal 2010.

Fair Value of Long-Term Debt

The book value and estimated fair value of our long-term debt was as follows (in thousands):

	March 31, <u>2010</u>	March 31, <u>2009</u>
Book value:		
Senior Notes Payable	\$ 99,150	113,310
Convertible Notes, net of discount	<u>71,492</u>	<u>83,732</u>
	<u>\$ 170,642</u>	<u>197,042</u>
Estimated fair value:		
Senior Notes Payable	\$ 99,150	113,310
Convertible Notes	<u>73,389</u>	<u>61,702</u>
	<u>\$ 172,539</u>	<u>175,012</u>

The difference between the estimated fair value of long-term debt compared with its historical cost reported in our Condensed Consolidated Balance Sheets at March 31, 2010 and March 31, 2009 relates primarily to market quotations for the Company's 3.0% Convertible Senior Subordinated Notes due October 1, 2011.

(19) Quarterly Information (Unaudited)

The following sets forth selected quarterly operating data:

	<u>2010</u>				<u>2009</u>			
	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
	(Dollars in thousands, except earnings per share data)							
Total revenues	\$100,230	104,206	112,310	123,890	88,421	91,721	99,161	112,849
Provision for loan losses	20,428	25,156	29,633	15,082	17,857	23,307	29,490	14,822
General and administrative expenses	53,333	51,755	55,537	56,387	48,790	48,379	51,716	51,331
Interest expense	3,110	3,617	3,756	3,398	3,609	3,892	3,928	3,457
Income tax expense	<u>8,724</u>	<u>9,066</u>	<u>8,633</u>	<u>19,360</u>	<u>6,822</u>	<u>6,197</u>	<u>5,164</u>	<u>16,898</u>
Net income	<u>\$ 14,635</u>	<u>14,612</u>	<u>14,751</u>	<u>29,663</u>	<u>11,343</u>	<u>9,946</u>	<u>8,863</u>	<u>26,341</u>
Earnings per share:								
Basic	<u>\$.90</u>	<u>.90</u>	<u>.91</u>	<u>1.80</u>	<u>.70</u>	<u>.61</u>	<u>.55</u>	<u>1.63</u>
Diluted	<u>\$.90</u>	<u>.89</u>	<u>.89</u>	<u>1.76</u>	<u>.68</u>	<u>.60</u>	<u>.54</u>	<u>1.62</u>

(20) Litigation

At March 31, 2010, the Company and certain of its subsidiaries have been named as defendants in various legal actions arising from their normal business activities in which damages in various amounts are claimed. Although the amount of any ultimate liability with respect to such matters cannot be determined, the Company believes that any such liability will not have a material adverse effect on the Company's results of operations or financial condition taken as a whole.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We are responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a – 15(f) under the Securities Exchange Act of 1934. We have assessed the effectiveness of internal control over financial reporting as of March 31, 2010. Our assessment was based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, Internal Control-Integrated Framework.

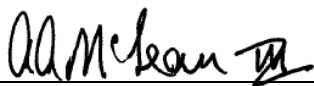
Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of the assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and board of directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

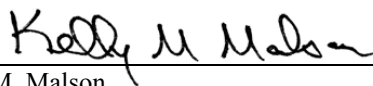
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, any assumptions regarding internal control over financial reporting in future periods based on an evaluation of effectiveness in a prior period are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on using the COSO criteria, we believe our internal control over financial reporting as of March 31, 2010 was effective.

Our independent registered public accounting firm has audited the consolidated financial statements included in this Annual Report and has issued an attestation report on the effectiveness of our internal control over financial reporting, as stated in their report.



A. A. McLean III
Chairman and Chief Executive Officer



Kelly M. Malson
Senior Vice President and Chief Financial Officer

REPORT ON INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
World Acceptance Corporation:

We have audited World Acceptance Corporation and subsidiaries' (the "Company's") internal control over financial reporting as of March 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of March 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2010, and our report dated June 8, 2010 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Greenville, South Carolina
June 8, 2010

REPORT ON INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
World Acceptance Corporation:

We have audited the accompanying consolidated balance sheets of World Acceptance Corporation and subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of World Acceptance Corporation and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), World Acceptance Corporation's internal control over financial reporting as of March 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 8, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Greenville, South Carolina
June 8, 2010

BOARD OF DIRECTORS

Ken R. Bramlett Jr.
Retired

James R. Gilreath
Attorney
The Gilreath Law Firm, P.A.

William S. Hummers III
Retired

A. Alexander McLean III
Chairman of the Board and Chief Executive Officer
World Acceptance Corporation

Darrell E. Whitaker
President and Chief Operating Officer
IMI Resort Holdings, Inc.

Charles D. Way
Retired

Mark C. Roland
President and Chief Operating Officer
World Acceptance Corporation

COMPANY OFFICERS

A. Alexander McLean III
Chairman of the Board and Chief Executive Officer

Mark C. Roland
President and Chief Operating Officer

Kelly M. Malson
Senior Vice President, Chief Financial Officer and Treasurer

James D. Walters
Senior Vice President, Southern Division

D. Clinton Dyer
Senior Vice President, Central Division

Jeff L. Tinney
Senior Vice President, Western Division

Francisco Javier Sauza Del Pozo
Senior Vice President, Mexico

James J. Rosenauer
President, ParaData Financial Systems

Judson K. Chapin III
Senior Vice President, Secretary and General Counsel

Marilyn Messer
Senior Vice President, Human Resources

Iris E. Snow
Vice President and Assistant Secretary

Robyn D. Yarborough
Vice President, Internal Audit

Stacey K. Estes
Vice President, Lease Administration

Yvette Drake
Vice President, Director of Marketing

Scot H. Mozingo
Vice President of Operations, Georgia

Stephen A. Bifano
Vice President of Operations, Illinois

Jeanne Davis
Vice President of Operations, New Mexico

Delia A. Brigman
Vice President of Operations, TexasCaliente

Rodney D. Ernest
Vice President of Operations, Northeast Texas

Rudolph R. Cruz
Vice President of Operations, Northwest Texas

James E. Creagor
Vice President of Operations, Southwest Texas

Jackie C. Willyard
Vice President of Operations, Kentucky

James W. Littlepage
Vice President of Operations, Tennessee

D. Scott Phillips
Vice President of Operations, South Carolina

Erik T. Brown
Vice President of Operations, Missouri

Rodney Owens
Vice President of Operations, Oklahoma

Anthony B. Seney
Vice President of Operations, Louisiana

Fidencio Reyna
Vice President of Operations, Mexico

Pedro Arizpe
Vice President of Operations, Mexico

Ricardo Cavazos
Vice President of Operations, Mexico

Juan Valdez
Vice President of Operations, Mexico

CORPORATE INFORMATION

Common Stock

World Acceptance Corporation's common stock trades on The Nasdaq Stock Market under the symbol: WRLD. As of June 8, 2010, there were 63 shareholders of record and the Company believes there are a significant number of persons or entities who hold their stock in nominee or "street" names through various brokerage firms. On this date there were 15,765,054 shares of common stock outstanding.

The table below reflects the stock prices published by Nasdaq by quarter for the last two fiscal years. The last reported sale price on June 7, 2010, was \$34.15.

Market Price of Common Stock

Fiscal 2010		
<u>Quarter</u>	<u>High</u>	<u>Low</u>
First	\$ 30.87	\$16.09
Second	28.16	18.12
Third	37.42	23.25
Fourth	44.10	35.67

Fiscal 2009		
<u>Quarter</u>	<u>High</u>	<u>Low</u>
First	\$ 45.99	\$ 31.91
Second	43.50	31.00
Third	36.25	13.44
Fourth	22.90	10.31

The Company has never paid a dividend on its Common Stock. The Company presently intends to retain its earnings to finance the growth and development of its business and does not expect to pay cash dividends in the foreseeable future. The Company's debt agreements also contain certain limitations on the Company's ability to pay dividends. See note 8 to the Company's Consolidated Financial Statements.

Executive Offices

World Acceptance Corporation
Post Office Box 6429 (29606)
108 Frederick Street (29607)
Greenville, South Carolina
(864) 298-9800

Transfer Agent

American Stock Transfer & Trust Company
10150 Mallard Creek Drive, Suite 307
Charlotte, North Carolina 28262
(718) 921-8522

Legal Counsel

Robinson, Bradshaw, & Hinson, P.A.
1900 Independence Center
101 North Tryon Street
Charlotte, North Carolina 28246

Independent Registered Public Accounting Firm

KPMG LLP
55 Beattie Place, Suite 900
Greenville, South Carolina 29601

Annual Report

A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, may be obtained without charge by writing to the Corporate Secretary at the executive offices of the Company. The Form 10-K also can be reviewed or downloaded from the Company's website: <http://www.worldacceptance.com>.

For Further Information

A. Alexander McLean III
Chief Executive Officer
World Acceptance Corporation
(864) 298-9800

Printed by:



World Acceptance Corporation



World Acceptance Corporation

PO Box 6429

Greenville, South Carolina 29606

(864) 298-9800