CASH AMERICA INTERNATIONAL INC
Form 10-Q
May 02, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from to

Commission File Number 1-9733
(Exact name of registrant as specified in its charter)

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

(817) 335-1100
(Registrant's telephone number, including area code)
NONE
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

(Do not check if a smaller reporting company)

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

Yes ¨ No þ

APPLICABLE ONLY TO CORPORATE ISSUERS:

28,126,343 of the Registrants' common shares, $.10 par value, were issued and outstanding as of April 21, 2014.

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CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

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

- the effect of and compliance with domestic and foreign pawn, consumer credit, tax and other laws and government rules and regulations applicable to the Company's business, including changes in such laws, rules and regulations, or changes in the interpretation or enforcement thereof, and the regulatory and examination authority of the Consumer Financial Protection Bureau with respect to providers of consumer financial products and services in the United States and the Financial Conduct Authority in the United Kingdom;
- the deterioration of the political, regulatory or economic environment in foreign countries where the Company operates or in the future may operate;
- the Company's ability to process or collect consumer loans through the Automated Clearing House system;
- risks related to the potential separation of the Company's online lending business that comprises its E-Commerce Division, Enova International, Inc.;
- the actions of third parties who provide, acquire or offer products and services to, from or for the Company;
- public perception of the Company's business, including the Company's consumer loan business and the Company's business practices;
- the effect of any current or future litigation proceedings and any judicial decisions or rule-making that affects the Company, its products or the legality or enforceability of its arbitration agreements;
- fluctuations, including a sustained decrease, in the price of gold or a deterioration in economic conditions;
- a prolonged interruption in the Company's operations of its facilities, systems or business functions, including the Company's information technology and other business systems;
- changes in demand for the Company's services and changes in competition;
- the Company's ability to maintain an allowance or liability for estimated losses on consumer loans that are adequate to absorb credit losses;
- the Company's ability to attract and retain qualified executive officers;
- the Company's ability to open new locations in accordance with plans or to successfully integrate newly acquired businesses into its operations;
- interest rate and foreign currency exchange rate fluctuations;
- changes in the capital markets, including the debt and equity markets;
- changes in the Company's ability to satisfy the Company's debt obligations or to refinance existing debt obligations or obtain new capital to finance growth;
- cyber-attacks or security breaches;
- acts of God, war or terrorism, pandemics and other events;
- the effect of any of the above changes on the Company's business or the markets in which the Company operates; and
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other risks and uncertainties described in this report or from time to time in the Company’s filings with the Securities and Exchange Commission (“SEC”).

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

CASH AMERICA INTERNATIONAL, INC.
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)
(Unaudited)

	March 31, 2014	2013	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents	$76,438	$70,353	$67,228
Restricted cash	8,000	—	8,000
Pawn loans	218,093	202,982	261,148
Consumer loans, net	322,111	253,801	358,841
Merchandise held for disposition, net	192,936	146,041	208,899
Pawn loan fees and service charges receivable	43,814	40,560	53,438
Income taxes receivable	—	15,522	9,535
Prepaid expenses and other assets	35,659	38,431	33,655
Deferred tax assets	33,694	45,771	38,800
Total current assets	930,745	813,461	1,039,544
Property and equipment, net	258,134	255,165	261,223
Goodwill	705,492	611,240	705,579
Intangible assets, net	50,592	35,168	52,256
Other assets	20,664	12,405	21,129
Total assets	$1,965,627	$1,727,439	$2,079,731
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued expenses	$105,751	$107,878	$140,068
Customer deposits	17,227	12,826	14,803
Income taxes currently payable	4,227	—	—
Current portion of long-term debt	22,606	22,606	22,606
Total current liabilities	149,811	143,310	177,477
Deferred tax liabilities	109,807	104,524	101,417
Noncurrent income tax payable	—	37,094	—
Other liabilities	917	1,418	1,031
Long-term debt	607,650	427,777	717,383
Total liabilities	$868,185	$714,123	$997,308
Equity:			
Cash America International, Inc. equity:			
Common stock, $0.10 par value per share, 80,000,000 shares authorized, 30,235,164 shares issued and outstanding	3,024	3,024	3,024
Additional paid-in capital	116,726	155,617	150,833
Retained earnings	1,062,737	922,347	1,017,981
Accumulated other comprehensive income	5,182	4,202	4,649
	(90,227)	(70,596)	(94,064)

Treasury shares, at cost (2,140,368 shares, 1,713,387 shares and 2,224,902 shares as of March 31, 2014 and 2013, and as of December 31, 2013, respectively)			
Total Cash America International, Inc. shareholders' equity	1,097,442	1,014,594	1,082,423
Noncontrolling interest	—	(1,278)	—
Total equity	1,097,442	1,013,316	1,082,423
Total liabilities and equity	$1,965,627	$1,727,439	$2,079,731

See notes to consolidated financial statements.

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CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Revenue		
Pawn loan fees and service charges	$80,187	$75,914
Proceeds from disposition of merchandise	176,455	178,717
Consumer loan fees	234,182	210,205
Other	2,276	3,292
Total Revenue	493,100	468,128
Cost of Revenue		
Disposed merchandise	124,564	121,335
Consumer loan loss provision	73,500	74,852
Total Cost of Revenue	198,064	196,187
Net Revenue	295,036	271,941
Expenses		
Operations and administration	191,586	176,824
Depreciation and amortization	19,261	17,531
Total Expenses	210,847	194,355
Income from Operations	84,189	77,586
Interest expense	(10,068)	(7,445)
Interest income	10	63
Foreign currency transaction loss	(101)	(377)
Loss on extinguishment of debt	(1,546)	—
Equity in loss of unconsolidated subsidiary	—	(111)
Income before Income Taxes	72,484	69,716
Provision for income taxes	26,747	25,794
Net Income	45,737	43,922
Net loss attributable to the noncontrolling interest	—	4
Net Income Attributable to Cash America International, Inc.	$45,737	$43,926
Earnings Per Share:		
Net Income attributable to Cash America International, Inc. common shareholders:		
Basic	$1.61	$1.51
Diluted	$1.55	$1.40
Weighted average common shares outstanding:		
Basic	28,407	29,100
Diluted	29,500	31,371
Dividends declared per common share	$0.035	$0.035

See notes to consolidated financial statements.

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CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Net income	$45,737	$43,922
Other comprehensive gain, net of tax:		
Foreign currency translation gain[(a)]	533	434
Marketable securities gain[(b)]	—	641
Total other comprehensive gain, net of tax	$533	$1,075
Comprehensive income	$46,270	$44,997
Net loss attributable to the noncontrolling interest	—	4
Foreign currency translation gain, net of tax, attributable to the noncontrolling interest	—	(1)
Comprehensive loss attributable to the noncontrolling interest	—	3
Comprehensive income attributable to Cash America International, Inc.	$46,270	$45,000

(a) Net of tax benefit (provision) of $(345) and $1,420 for the three months ended March 31, 2014 and 2013, respectively.
(b) Net of tax provision of $(345) for the three months ended March 31, 2013.
See notes to consolidated financial statements.

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CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(dollars in thousands, except per share data)
(Unaudited)

	Common Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury shares, at cost		Total share-holders' equity	Non-controlling interest	Total Equity
	Shares	Amount				Shares	Amount			
Balance as of January 1, 2013	30,235,164	$3,024	$157,613	$879,434	$3,128	(1,351,712)	$(51,304)	$991,895	$(1,275)	$990,620
Shares issued under stock-based plans			(4,077)			106,080	4,077	—		—
Stock-based compensation expense			1,568					1,568		1,568
Income tax benefit from stock-based compensation			513					513		513
Net income attributable to Cash America International, Inc.				43,926				43,926		43,926
Dividends paid				(1,013)				(1,013)		(1,013
Foreign currency translation gain, net of tax					433			433	1	434
Marketable securities unrealized gain, net of tax					641			641		641
Purchases of treasury shares						(467,755)	(23,369)	(23,369)		(23,369
Loss attributable to the noncontrolling interest								—	(4)	(4
	30,235,164	$3,024	$155,617	$922,347	$4,202	(1,713,387)	$(70,596)	$1,014,594	$(1,278)	$1,013,3

Balance as of March 31, 2013										
Balance as of January 1, 2014	30,235,164	$3,024	$150,833	$1,017,981	$4,649	(2,224,902)	$(94,064)	$1,082,423	$—	$1,082,42
Shares issued under stock-based plans			(5,196)			119,989	5,196	—		—
Stock-based compensation expense			1,495					1,495		1,495
Reduction in income tax benefit from stock-based compensation			(139)					(139)		(139
Repurchase of convertible debt			(30,267)					(30,267)		(30,267
Net income attributable to Cash America International, Inc.				45,737				45,737		45,737
Dividends paid				(981)				(981)		(981
Foreign currency translation gain, net of tax					533			533		533
Purchases of treasury shares						(35,455)	(1,359)	(1,359)		(1,359
Balance as of March 31, 2014	30,235,164	$3,024	$116,726	$1,062,737	$5,182	(2,140,368)	$(90,227)	$1,097,442	$—	$1,097,44

See notes to consolidated financial statements.

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CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(Unaudited)

	Three Months Ended March 31, 2014	2013
Cash Flows from Operating Activities		
Net Income	$45,737	$43,922
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expenses	19,261	17,531
Amortization of debt discount and issuance costs	1,213	1,320
Consumer loan loss provision	73,500	74,852
Stock-based compensation	1,495	1,568
Deferred income taxes, net	13,152	7,109
Excess income tax benefit from stock-based compensation	—	(513)
Other	2,203	1,762
Changes in operating assets and liabilities, net of assets acquired:		
Merchandise other than forfeited	7,216	11,434
Pawn loan fees and service charges receivable	9,623	8,454
Finance and service charges on consumer loans	3,989	3,493
Prepaid expenses and other assets	(2,241)	(137)
Accounts payable and accrued expenses	(32,479)	(13,434)
Current and noncurrent income taxes	13,311	13,559
Other operating assets and liabilities	2,424	1,393
Net cash provided by operating activities	$158,404	$172,313
Cash Flows from Investing Activities		
Pawn loans made	(178,828)	(163,016)
Pawn loans repaid	138,372	129,093
Principal recovered through dispositions of forfeited pawn loans	90,707	84,745
Consumer loans made or purchased	(490,119)	(469,625)
Consumer loans repaid	447,346	422,015
Acquisitions, net of cash acquired	(500)	(213)
Purchases of property and equipment	(14,504)	(9,462)
Other investing activities	77	399
Net cash used in investing activities	$(7,449)	$(6,064)
Cash Flows from Financing Activities		
Net payments under bank lines of credit	(45,097)	(121,690)
Debt issuance costs paid	(142)	—
Payments on/repurchases of notes payable	(95,095)	(7,084)
Excess income tax benefit from stock-based compensation	—	513
Treasury shares purchased	(1,359)	(23,369)
Dividends paid	(981)	(1,013)
Net cash used in financing activities	$(142,674)	$(152,643)
Effect of exchange rates on cash	$929	$(4,627)
Net increase in cash and cash equivalents	9,210	8,979

Cash and cash equivalents at beginning of year	67,228	61,374
Cash and cash equivalents at end of period	$76,438	$70,353
Supplemental Disclosures		
Non-cash investing and financing activities		
Pawn loans forfeited and transferred to merchandise held for disposition	$83,218	$75,809
Pawn loans renewed	$66,718	$65,453
Consumer loans renewed	$72,449	$163,760

See notes to consolidated financial statements.

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CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include all of the accounts of Cash America International, Inc. and its subsidiaries (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The financial statements presented as of March 31, 2014 and 2013 and December 31, 2013 and for the three-month periods ended March 31, 2014 and 2013 are unaudited but, in management's opinion, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for such interim periods. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America ("GAAP"). Operating results for the three-month period are not necessarily indicative of the results that may be expected for the full fiscal year.

These financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Adopted Accounting Standards

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"), which provides guidance on the presentation of unrecognized tax benefits when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. The amendments in this update are effective for fiscal years (and interim periods within those years) beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The Company prospectively adopted ASU 2013-11 on January 1, 2014, and the adoption did not have a material effect on its financial position or results of operations.

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force) ("ASU 2013-05"), which applies to the release of the cumulative translation adjustment into net income when a parent either sells all or a part of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. ASU 2013-05 is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The Company adopted ASU 2013-05 on January 1, 2014, and the adoption did not have a material effect on its financial position or results of operations.

In February 2013, the FASB issued ASU No. 2013-04, Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date ("ASU 2013-04"). ASU 2013-04 requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date as the amount the reporting entity agreed to pay plus additional amounts the reporting entity expects to pay on behalf of its co-obligors. The guidance further provides for disclosure of the nature and amount of the obligation. ASU 2013-04 is effective for interim and annual reporting periods beginning after December 15, 2013. The Company adopted ASU 2013-04 on January 1, 2014, and the adoption did not have a material effect on its financial position or results of operations.

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Accounting Standards to be Adopted in Future Periods

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"). The amendments in ASU 2014-08 change the criteria for reporting discontinued operations and enhance disclosures in this area. The new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The new guidance also requires disclosure of the pre-tax income or loss attributable to a disposal of an individually significant component of an organization that does not qualify for discontinued operations presentation in the financial statements. The Company is required to adopt ASU 2014-08 prospectively for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning after December 15, 2014 and interim periods within annual periods beginning on or after December 15, 2015. Early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption on its financial position and results of operations.

Revision of Prior Period Financial Statements

“Cash and cash equivalents” and “Accounts payable and accrued expenses” on the consolidated balance sheets as of March 31, 2013 and December 31, 2013 were revised to reclassify certain liabilities as in-transit cash disbursements due to the timing of payments for certain contracts. Management determined that the impact on all previously issued financial statements was immaterial. The correction resulted in the following increases (decreases) to amounts previously reported in the Company's financial statements (dollars in thousands):

	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	December 31, 2011
Consolidated Balance Sheet						
Cash and cash equivalents	$(2,010)	$(3,737)	$(7,446)	$(8,008)	$(1,760)	$(3,749)
Accounts payable and accrued expenses	(2,010)	(3,737)	(7,446)	(8,008)	(1,760)	(3,749)
Consolidated Statements of Cash Flows						
Net cash provided by operating activities	$(250)	$(1,977)	$(5,686)	$(6,248)	$1,989	$(2,215)
Cash and cash equivalents at beginning of year	(1,760)	(1,760)	(1,760)	(1,760)	(3,749)	(1,534)
Cash and cash equivalents at end of period	(2,010)	(3,737)	(7,446)	(8,008)	(1,760)	(3,749)

As other prior period financial information is presented, the Company will similarly revise the consolidated balance sheets and statements of cash flows in its future filings.

2. Acquisitions

Acquisition of 34 Pawn Lending Locations in Georgia and North Carolina

In December 2013, the Company completed the acquisition of substantially all of the assets of a 34-store chain of pawn lending locations in Georgia and North Carolina (31 locations in Georgia and three locations in North Carolina) owned by PawnMart, Inc. The aggregate purchase price for the acquisition was approximately $61.1 million. Of this amount, $60.6 million was paid in 2013 and $0.5 million, which was related to holdback, was paid during the three months ended March 31, 2014. The acquisition price was paid in cash and funded through borrowings under the Company's line of credit. The Company incurred approximately $0.6 million of acquisition costs related to the acquisition, which were expensed in 2013.

3. Credit Quality Information on Pawn Loans

The Company manages its pawn loan portfolio by monitoring the type and adequacy of collateral compared to historical gross profit margins. If a pawn loan defaults, the Company relies on the disposition of pawned property to recover the principal amount of an unpaid pawn loan, plus a yield on the investment, because the Company's

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

pawn loans are non-recourse against the customer. In addition, the customer's creditworthiness does not affect the Company's financial position or results of operations. Generally, forfeited merchandise has historically sold for an amount in excess of the cost of goods sold (which is the lower of cost, or the cost basis in the loan or amount paid for purchased merchandise, or fair value). Goods pledged to secure pawn loans are tangible personal property items such as jewelry, tools, televisions and other electronics, musical instruments and other miscellaneous items. A pawn loan is considered delinquent if the customer does not repay or, where allowed by law, renew or extend the loan on or prior to its contractual maturity date plus any applicable grace period. Pawn loan fees and service charges do not accrue on delinquent pawn loans. When a pawn loan is considered delinquent, any accrued pawn loan fees and service charges are reversed and no additional pawn loan fees and service charges are accrued. As of March 31, 2014 and 2013 and December 31, 2013, the Company had current pawn loans outstanding of $210.6 million, $195.9 million and $251.9 million, respectively, and delinquent pawn loans outstanding of $7.5 million, $7.1 million and $9.2 million, respectively.

4. Consumer Loans, Credit Quality Information on Consumer Loans, Allowance and Liability for Estimated Losses on Consumer Loans and Guarantees of Consumer Loans

Consumer loan fee revenue generated from consumer loans for the three months ended March 31, 2014 and 2013 was as follows (dollars in thousands):

	Three Months Ended March 31,	
	2014	2013
Interest and fees on short-term loans	$94,975	$140,215
Interest and fees on line of credit accounts	73,036	23,234
Interest and fees on installment loans	66,171	46,756
Total consumer loan revenue	$234,182	$210,205

Current and Delinquent Consumer Loans

The Company classifies its consumer loans as either current or delinquent. Short-term loans are considered delinquent when payment of an amount due is not made as of the due date. If a line of credit account or installment loan customer misses one payment, that payment is considered delinquent. If a line of credit account or installment loan customer does not make two consecutive payments, the entire account or loan is classified as delinquent. The Company allows for normal payment processing time before considering a loan delinquent but does not provide for any additional grace period.

The Company generally does not accrue interest on delinquent consumer loans and does not resume accrual of interest on a delinquent loan unless it is returned to current status. In addition, delinquent consumer loans generally may not be renewed, and if, during its attempt to collect on a delinquent consumer loan, the Company allows additional time for payment through a payment plan or a promise to pay, it is still considered delinquent. All payments received are first applied against accrued but unpaid interest and fees and then against the principal balance of the loan.

Allowance and Liability for Estimated Losses on Consumer Loans

The Company monitors the performance of its consumer loan portfolio and maintains either an allowance or liability for estimated losses on consumer loans (including fees and interest) at a level estimated to be adequate to absorb credit losses inherent in the portfolio. The allowance for losses on the Company's owned consumer loans reduces the outstanding loan balance in the consolidated balance sheets. The liability for estimated losses related to loans guaranteed under its credit services organization programs ("CSO programs") is initially recorded at fair value and is included in "Accounts payable and accrued expenses" in the consolidated balance sheets.

In determining the allowance or liability for estimated losses on consumer loans, the Company applies a

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

documented systematic methodology. In calculating the allowance or liability for loan losses, outstanding loans are divided into discrete groups of short-term loans, line of credit accounts and installment loans and are analyzed as current or delinquent. Increases in either the allowance or the liability, net of charge-offs and recoveries, are recorded as a “Consumer loan loss provision” in the consolidated statements of income.

The allowance or liability for short-term loans classified as current is based on historical loss rates adjusted for recent default trends for current loans. For delinquent short-term loans, the allowance or liability is based on a six-month rolling average of loss rates by stage of collection. For line of credit accounts and installment loan portfolios, the Company generally uses a migration analysis to estimate losses inherent in the portfolio. The allowance or liability calculation under the migration analysis is based on historical charge-off experience and the loss emergence period, which represents the average amount of time between the first occurrence of a loss event to the charge-off of a loan. The factors the Company considers to assess the adequacy of the allowance or liability include past due performance, historical behavior of monthly vintages, underwriting changes and recent trends in delinquency in the migration analysis.

The Company fully reserves and generally charges off consumer loans once the loan or a portion of the loan has been classified as delinquent for 60 consecutive days. If a loan is deemed uncollectible before it is fully reserved, it is charged off at that point. Consumer loans classified as delinquent generally have an age of one to 59 days from the date any portion of the loan became delinquent, as defined above. Recoveries on loans previously charged to the allowance are credited to the allowance when collected.

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CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The components of Company-owned consumer loan portfolio receivables as of March 31, 2014 and 2013 and December 31, 2013 were as follows (dollars in thousands):

	As of March 31, 2014			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Current loans	$79,450	$104,783	$156,615	$340,848
Delinquent loans	23,505	14,221	21,246	58,972
Total consumer loans, gross	102,955	119,004	177,861	399,820
Less: allowance for losses	(21,119)	(26,669)	(29,921)	(77,709)
Consumer loans, net	$81,836	$92,335	$147,940	$322,111
	As of March 31, 2013			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Current loans	$119,280	$32,039	$110,630	$261,949
Delinquent loans	48,448	4,916	16,155	69,519
Total consumer loans, gross	167,728	36,955	126,785	331,468
Less: allowance for losses	(42,570)	(8,064)	(27,033)	(77,667)
Consumer loans, net	$125,158	$28,891	$99,752	$253,801
	As of December 31, 2013			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Current loans	$101,379	$111,822	$168,221	$381,422
Delinquent loans	29,857	13,980	21,448	65,285
Total consumer loans, gross	131,236	125,802	189,669	446,707
Less: allowance for losses	(24,425)	(29,784)	(33,657)	(87,866)
Consumer loans, net	$106,811	$96,018	$156,012	$358,841

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Changes in the allowance for losses for the Company-owned loans and the liability for estimated losses on the Company's guarantees of third-party lender-owned loans through the CSO programs during the three months ended March 31, 2014 and 2013 were as follows (dollars in thousands):

	Three Months Ended March 31, 2014			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Allowance for losses for Company-owned consumer loans:				
Balance at beginning of period	$24,425	$29,784	$33,657	$87,866
Consumer loan loss provision	22,616	23,375	28,133	74,124
Charge-offs	(37,408)	(29,988)	(37,089)	(104,485)
Recoveries	11,486	3,498	5,220	20,204
Balance at end of period	$21,119	$26,669	$29,921	$77,709
Liability for third-party lender-owned consumer loans:				
Balance at beginning of period	$2,322	$—	$758	$3,080
(Decrease) increase in liability	(855)	—	231	(624)
Balance at end of period	$1,467	$—	$989	$2,456

	Three Months Ended March 31, 2013			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Allowance for losses for Company-owned consumer loans:				
Balance at beginning of period	$45,982	$11,107	$28,614	$85,703
Consumer loan loss provision	46,553	6,553	23,149	76,255
Charge-offs	(60,790)	(11,202)	(27,744)	(99,736)
Recoveries	10,825	1,606	3,014	15,445
Balance at end of period	$42,570	$8,064	$27,033	$77,667
Liability for third-party lender-owned consumer loans:				
Balance at beginning of period	$2,934	$—	$564	$3,498
Decrease in liability	(1,387)	—	(16)	(1,403)
Balance at end of period	$1,547	$—	$548	$2,095

Guarantees of Consumer Loans

In connection with its CSO programs, the Company guarantees consumer loan payment obligations to unrelated third-party lenders for short-term loans and secured auto-equity loans and is required to purchase any defaulted loans it has guaranteed. The guarantee represents an obligation to purchase specific loans that go into default. Short-term loans that are guaranteed generally have terms of less than 90 days. Secured auto equity loans, which are included in the Company's installment loan portfolio, that are guaranteed typically have an average term of less than 24 months, with available terms of up to 42 months. As of March 31, 2014 and 2013 and December 31, 2013, the amount of consumer loans guaranteed by the Company was $42.2 million, $43.9 million and $59.0 million, respectively, representing amounts due under consumer loans originated by third-party lenders under the CSO programs. The liability for estimated losses on consumer loans guaranteed by the Company of $2.5 million, $2.1 million and $3.1 million, as of March 31, 2014 and 2013 and December 31, 2013, respectively, is included in “Accounts payable and accrued expenses” in the accompanying consolidated balance sheets.

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5. Merchandise Held for Disposition
Merchandise held for disposition and the related allowance as of March 31, 2014 and 2013 and December 31, 2013 associated with the Company's domestic and foreign retail services operations were as follows (dollars in thousands):

	As of March 31,						As of December 31,		
	2014			2013			2013		
	Total	Allowance	Net	Total	Allowance	Net	Total	Allowance	Net
Domestic	$189,091	$(1,200)	$187,891	$141,507	$(840)	$140,667	$204,663	$(840)	$203,823
Foreign	5,154	(109)	5,045	5,385	(11)	5,374	5,185	(109)	5,076
Total	$194,245	$(1,309)	$192,936	$146,892	$(851)	$146,041	$209,848	$(949)	$208,899

6. Investments in Unconsolidated Subsidiaries

The Company records investments in unconsolidated subsidiaries at cost. The aggregate carrying values of the Company's investments in unconsolidated subsidiaries were $8.3 million as of March 31, 2014 and December 31, 2013 and $7.2 million as of March 31, 2013 and were held in "Other assets" in the consolidated balance sheets. Carrying values for these investments are adjusted for cash contributions and distributions. The Company evaluates these investments for impairment if an event occurs or circumstances change that would more likely than not reduce the fair value of the investment below carrying value. If an impairment of the investment is determined to be other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary-impairment is identified.

Based on the Company's impairment evaluation of these investments as of March 31, 2014, it determined that an impairment loss was not probable as of that date for its investments in unconsolidated subsidiaries. As of March 31, 2014, the Company owned a $6.0 million investment in the preferred stock of an early-stage privately-held developing consumer financial services entity that the Company accounts for under the cost method. The Company determined that as of March 31, 2014 it was at least reasonably possible that the Company could realize an impairment loss in the near future for this investment. The Company will continue to evaluate the impairment risk of this investment by monitoring and assessing the entity's ability to raise capital or generate profits to fund its future operations.

In July 2013, the Company changed its accounting for one of its investments in unconsolidated subsidiaries to the cost method from the equity method of accounting due to a decrease in its ownership percentage of the investment.

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7. Long-term Debt
The Company's long-term debt instruments and balances outstanding as of March 31, 2014 and 2013 and December 31, 2013 were as follows (dollars in thousands):

	Balance as of March 31, 2014	2013	December 31, 2013
Domestic and multi-currency line of credit due 2018	$148,620	$179,321	$193,717
6.09% Series A senior unsecured notes due 2016	21,000	28,000	21,000
7.26% senior unsecured notes due 2017	15,000	20,000	20,000
Variable rate senior unsecured notes due 2018	31,250	39,583	33,333
5.75% senior unsecured notes due 2018	300,000	—	300,000
6.00% Series A senior unsecured notes due 2019	47,000	47,000	47,000
6.21% Series B senior unsecured notes due 2021	18,182	20,455	18,182
6.58% Series B senior unsecured notes due 2022	5,000	5,000	5,000
5.25% convertible senior notes due 2029	44,204	111,024	101,757
Total debt	$630,256	$450,383	$739,989
Less current portion	(22,606)	(22,606)	(22,606)
Total long-term debt	$607,650	$427,777	$717,383

Domestic and Multi-Currency Line

On March 30, 2011, the Company and its domestic subsidiaries as guarantors entered into a Credit Agreement with a syndicate of financial institutions as lenders (the "Credit Agreement"). The Credit Agreement was amended on each of November 29, 2011 and May 10, 2013. The Credit Agreement, as amended, provides for a domestic and multi-currency line of credit totaling $280 million permitting revolving credit loans, including a multi-currency subfacility that gives the Company the ability to borrow up to $50.0 million that may be in specified foreign currencies, subject to the terms and conditions of the Credit Agreement (the "Domestic and Multi-currency Line of Credit"), and also subject to an accordion feature whereby the revolving line of credit may be increased up to an additional $100.0 million with the consent of any increasing lenders.

Interest on the Domestic and Multi-currency Line of Credit is charged, at the Company's option, at either the London Interbank Offered Rate for one week or one-, two-, three- or six-month periods, as selected by the Company ("LIBOR"), plus a margin varying from 2.00% to 3.25% or at the agent's base rate plus a margin varying from 0.50% to 1.75%. The margin for the Domestic and Multi-currency Line of Credit is dependent on the Company's cash flow leverage ratios as defined in the Credit Agreement entered into in connection with the Domestic and Multi-currency Line of Credit. The Company also pays a fee on the unused portion of the Domestic and Multi-currency Line of Credit ranging from 0.25% to 0.50% (0.50% as of March 31, 2014) based on the Company's cash flow leverage ratios. The weighted average interest rate (including margin) on the Domestic and Multi-currency Line of Credit was 3.20%, 3.04% and 3.30% as of March 31, 2014 and 2013 and December 31, 2013, respectively.
As of March 31, 2014, borrowings under the Company's Domestic and Multi-currency Line of Credit consisted of three pricing tranches with maturity dates ranging from one to 30 days, and as of March 31, 2013, borrowings under the Company's Domestic and Multi-currency Line of Credit consisted of three pricing tranches with maturity dates ranging from two to 30 days. The Company routinely refinances borrowings pursuant to the terms of its Domestic and Multi-currency Line of Credit; therefore, these borrowings are reported as part of the applicable line of credit and as long-term debt.

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CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
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Variable Rate Senior Unsecured Notes

When the Company originally entered into the Credit Agreement in connection with its Domestic and Multi-currency Line of Credit, it also entered into a $50.0 million term loan facility under which it issued variable rate senior unsecured notes that are guaranteed by all of the Company's domestic subsidiaries. When the Company amended its Domestic and Multi-currency Line of Credit on May 10, 2013, it also extended the maturity date of its $50.0 million variable rate term loan facility from March 31, 2015 to March 31, 2018 (the "2018 Variable Rate Notes"). The 2018 Variable Rate Notes are payable in equal quarterly principal installments of $2.1 million with any outstanding principal remaining due at maturity on March 31, 2018. Interest on the 2018 Variable Rate Notes is charged, at the Company's option, at either LIBOR (as defined above) plus a margin of 3.50% or at the agent's base rate plus a margin of 2.00%. The weighted average interest rate (including margin) on the 2018 Variable Rate Notes was 3.69%, 3.75% and 3.69% as of March 31, 2014 and 2013 and December 31, 2013, respectively.

In connection with the amendment of the Domestic and Multi-currency Line of Credit and the 2018 Variable Rate Notes, the Company incurred debt issuance costs of approximately $1.8 million in 2013, which primarily consisted of commitment fees, legal and other professional expenses. These costs are being amortized over a period of five years and are included in "Other assets" in the consolidated balance sheets.

$300.0 million 5.75% Senior Unsecured Notes

On May 15, 2013, the Company issued and sold $300.0 million in aggregate principal amount of 5.75% Senior Notes due 2018 (the "2018 Senior Notes"). The Company offered and sold the 2018 Senior Notes to initial purchasers in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"). The initial purchasers then resold the 2018 Senior Notes pursuant to the exemptions from registration under the Securities Act in reliance on Rule 144A and Regulation S. The 2018 Senior Notes bear interest at a rate of 5.75% annually on the principal amount, payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2013. The 2018 Senior Notes will mature on May 15, 2018. The 2018 Senior Notes are senior unsecured debt obligations of the Company and are guaranteed by all of the Company's domestic subsidiaries and one of its foreign subsidiaries (the "Guarantors").

The 2018 Senior Notes are redeemable at the Company's option, in whole or in part, at any time at 100% of the aggregate principal amount of 2018 Senior Notes redeemed plus the applicable "make whole" redemption price specified in the Indenture that governs the 2018 Senior Notes (the "2018 Senior Notes Indenture"), plus accrued and unpaid interest, if any, to the redemption date. In addition, if a change of control occurs, as that term is defined in the 2018 Senior Notes Indenture, the holders of 2018 Senior Notes will have the right, subject to certain conditions, to require the Company to repurchase their 2018 Senior Notes at a purchase price equal to 101% of the aggregate principal amount of 2018 Senior Notes repurchased plus accrued and unpaid interest, if any, as of the date of repurchase. As required by a registration rights agreement that the Company entered into with the initial purchasers when the 2018 Senior Notes were issued, the Company completed an exchange offer with respect to the 2018 Senior Notes in January 2014. All of the unregistered 2018 Senior Notes have been exchanged for identical new notes registered under the Securities Act.

In connection with the issuance and registration of the 2018 Senior Notes, the Company has incurred debt issuance and registration costs of approximately $8.7 million since initial issuance of the debt, which primarily consisted of underwriting fees, legal and other professional expenses. These costs are being amortized over a period of five years and are included in "Other assets" in the consolidated balance sheets.

The Guarantors have guaranteed fully and unconditionally, on a joint and several basis, the obligations to pay principal and interest for the 2018 Senior Notes. Cash America International, Inc. (“Parent Company”), on a stand-alone unconsolidated basis, has no independent assets or operations. The Guarantors are 100% owned by the Company. The assets and operations of the Parent Company’s non-guarantor subsidiaries, individually and in the

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

aggregate, are minor. There are no significant restrictions on the ability of the Parent Company to receive funds from its subsidiaries through dividends, loans, and advances or otherwise.

2029 Convertible Notes

On May 19, 2009, the Company completed the offering of $115.0 million aggregate principal amount of 5.25% Convertible Senior Notes due May 15, 2029 (the “2029 Convertible Notes”). The 2029 Convertible Notes are senior unsecured obligations of the Company. The 2029 Convertible Notes bear interest at a rate of 5.25% per year, payable semi-annually on May 15 and November 15 of each year. The 2029 Convertible Notes will be convertible, in certain circumstances, at an initial conversion rate of 39.2157 shares per $1,000 aggregate principal amount of 2029 Convertible Notes (which is equivalent to a conversion price of approximately $25.50 per share), subject to adjustment upon the occurrence of certain events, into either, at the Company’s election: (i) shares of common stock or (ii) cash up to their principal amount and shares of its common stock with respect to the remainder, if any, of the conversion value in excess of the principal amount. The Company may not redeem the 2029 Convertible Notes prior to May 15, 2014. The Company may, at its option, redeem some or all of the 2029 Convertible Notes on or after May 15, 2014. Holders of the 2029 Convertible Notes will have the right to require the Company to repurchase some or all of the outstanding 2029 Convertible Notes on May 15, 2014, May 15, 2019 and May 15, 2024 at a price equal to 100% of the principal amount plus any accrued and unpaid interest.

As of March 31, 2014 and 2013, the carrying amount of the 2029 Convertible Notes was $44.2 million and $111.0 million, respectively, which included an unamortized discount of $0.2 million and $4.0 million, respectively. The discount is being amortized to interest expense over a period of five years, through the first redemption date of May 15, 2014. The total interest expense recognized was $1.4 million and $2.3 million for the quarter ended March 31, 2014 and 2013, respectively, of which $0.5 million and $0.8 million represented the non-cash amortization of the discount for the quarter ended March 31, 2014 and 2013, respectively. The contractual interest expense was $0.8 million and $1.5 million for the quarter ended March 31, 2014 and 2013, respectively. The 2029 Convertible Notes have an effective interest rate of 8.46% at both March 31, 2014 and 2013, respectively. As of March 31, 2014, the if-converted value of the 2029 Convertible Notes exceeds the principal amount by approximately $26.2 million. See Note 8 for further discussion of the dilutive effect of the 2029 Convertible Notes on diluted net income per share.

During the three months ended March 31, 2014, the Company repurchased $58.6 million principal amount of the 2029 Convertible Notes in privately-negotiated transactions for aggregate cash consideration of $89.5 million plus accrued interest. In connection with these purchases, during the three months ended March 31, 2014, the Company recorded a loss on extinguishment of debt of approximately $1.5 million, which is included in “Loss on extinguishment of debt” in the consolidated statements of income and a $30.3 million decrease to additional paid-in capital, which is included in "Repurchase of convertible debt" in the consolidated statements of equity. The Company has notified the remaining holders of its outstanding 2029 Convertible Notes that on May 15, 2014, it will redeem all outstanding 2029 Convertible Notes. As a result of this notification, holders of 2029 Convertible Notes may elect to convert their 2029 Convertible Notes pursuant to the provisions described above. For all 2029 Convertible Notes that are properly surrendered for conversion, the Company intends to pay the principal amount of the 2029 Convertible Notes in cash and the remainder of the conversion value in excess of the principal amount in shares of common stock.

As of March 31, 2014 the carrying amount of the equity component recorded as additional paid-in capital was a negative value of $28.5 million, net of deferred taxes and equity issuance costs. The negative additional paid-in capital arose due to the substantially higher average stock price associated with the repurchases in relation to the conversion price associated with initial recording of the equity component for the 2029 Convertible Notes. As of March 31, 2013 and December 31, 2013, the carrying amount of the equity component recorded as additional paid-in capital was $9.4 million and $1.8 million, respectively.

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In connection with the issuance of the 2029 Convertible Notes, the Company incurred approximately $3.9 million for issuance costs, which primarily consisted of underwriting fees, legal and other professional expenses. The unamortized balance of these costs as of March 31, 2014 is included in “Other assets” in the consolidated balance sheets. These costs are being amortized to interest expense over five years.

Other

When the Company entered into the Credit Agreement in connection with its Domestic and Multi-currency Line of Credit, it also entered into a Standby Letter of Credit Agreement (the “LC Agreement”) for the issuance of up to $20.0 million in letters of credit (the “Letter of Credit Facility”) that is guaranteed by the Company’s domestic subsidiaries. In the event that an amount is paid by the issuing bank under a stand-by letter of credit, it will be due and payable by the Company on demand, and amounts due by the Company under the LC Agreement will bear interest annually at a rate that is the lesser of (a) 2% above the prime rate for Wells Fargo Bank, National Association or (b) the maximum rate of interest permissible under applicable laws. The LC Agreement also requires the Company to pay quarterly fees equal to the applicable margin set forth in the LC Agreement on the undrawn amount of the credit outstanding. When the Company amended its Credit Agreement on May 10, 2013, it also extended the maturity date of its Letter of Credit Facility from March 31, 2015 to March 31, 2018. The Company had standby letters of credit of $17.6 million under its Letter of Credit Facility as of March 31, 2014.

The Company’s debt agreements for its Domestic and Multi-currency Line of Credit and its senior unsecured notes require the Company to maintain certain financial ratios. As of March 31, 2014, the Company was in compliance with all covenants or other requirements set forth in its debt agreements.

8. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated by giving effect to the potential dilution that could occur if securities or other contracts to issue common shares were exercised and converted into common shares during the period. Restricted stock units issued under the Company’s stock-based employee compensation plans are included in diluted shares upon the granting of the awards even though the vesting of shares will occur over time. Performance-based awards are included in diluted shares based on the level of performance that management estimates is the most probable outcome at the grant date. Throughout the requisite service period, management monitors the probability of achievement of the performance condition and, if material, adjusts the number of shares included in diluted shares accordingly.

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The following table sets forth the reconciliation of numerators and denominators of basic and diluted net income per share computations for the three months ended March 31, 2014 and 2013 (dollars and shares in thousands, except per share amounts):

	Three Months Ended March 31,	
	2014	2013
Numerator:		
Net income attributable to Cash America International, Inc.	$45,737	$43,926
Denominator:		
Total weighted average basic shares[(a)]	28,407	29,100
Shares applicable to stock-based compensation[(b)]	63	144
Convertible debt[(c)]	1,030	2,127
Total weighted average diluted shares[(d)]	29,500	31,371
Net income – basic	$1.61	$1.51
Net income – diluted	$1.55	$1.40

(a) Includes vested and deferred restricted stock units of 310 for both March 31, 2014 and 2013, as well as 32 and 31 shares held in the Company’s nonqualified deferred compensation plan for the three months ended March 31, 2014 and 2013, respectively.

(b) Includes shares related to unvested restricted stock unit awards.

(c) The shares issuable with respect to the Company’s 2029 Convertible Notes have been calculated using the treasury stock method. The Company has sent a notice of redemption to all holders of outstanding 2029 Convertible Notes and intends to settle the principal portion of the convertible debt in cash for all 2029 Convertible Notes that are properly surrendered for conversion; therefore, only the shares related to the conversion spread have been included in weighted average diluted shares. See Note 7.

(d) There were 38 and 87 anti-dilutive shares for the three months ended March 31, 2014 and 2013, respectively.

9. Operating Segment Information

The Company has two reportable operating segments: retail services and e-commerce. The retail services segment includes all of the operations of the Company’s Retail Services Division, which is composed of both domestic and foreign storefront locations that offer some or all of the following services: pawn loans, consumer loans, the purchase and sale of merchandise, check cashing and other ancillary services such as money orders, wire transfers, prepaid debit cards, tax filing services and auto insurance. Most of these ancillary services offered in the retail services segment are provided through third-party vendors. The e-commerce segment includes the operations of the Company’s E-Commerce Division, which is composed of the Company’s domestic and foreign online lending channels through which the Company offers consumer loans. The Company reports corporate operations separately from its retail services and e-commerce segment information.

Corporate operations primarily include corporate expenses, such as legal, occupancy, executive oversight, insurance and risk management, public and government relations, internal audit, treasury, payroll, compliance and licensing, finance, accounting, tax and information systems (except for online lending systems, which are included in the e-commerce segment). Corporate income includes miscellaneous income not directly attributable to the Company’s segments. Corporate assets primarily include corporate property and equipment, nonqualified savings plan assets, marketable securities, foreign exchange forward contracts and prepaid insurance.

During the first quarter of 2014, the Company changed the presentation of financial information within its e-commerce segment to report certain administrative and depreciation and amortization expenses within that segment separately from its domestic and foreign operating components. Administrative expenses in the e-commerce segment, which were previously allocated between the domestic and foreign components based on the amount of loans written and renewed, are included under the “Admin” heading within the e-commerce segment information in the following tables. Depreciation and amortization related to the e-commerce administrative function is also included in this category. For comparison purposes, amounts for prior years have been conformed to the current presentation.

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The following tables contain operating segment data for the three months ended March 31, 2014 and 2013 by segment, for the Company's corporate operations and on a consolidated basis (dollars in thousands):

	Retail Services			E-Commerce					
	Domestic	Foreign	Total	Domestic	Foreign	Admin	Total	Corporate	Consolidated
Three Months Ended March 31, 2014									
Revenue									
Pawn loan fees and service charges	$78,467	$1,720	$80,187	$—	$—	$—	$—	$—	$80,187
Proceeds from disposition of merchandise	172,170	4,285	176,455	—	—	—	—	—	176,455
Consumer loan fees	25,759	—	25,759	109,048	99,375	—	208,423	—	234,182
Other	2,002	85	2,087	39	3	—	42	147	2,276
Total revenue	278,398	6,090	284,488	109,087	99,378	—	208,465	147	493,100
Cost of revenue									
Disposed merchandise	121,258	3,306	124,564	—	—	—	—	—	124,564
Consumer loan loss provision	7,598	—	7,598	28,635	37,267	—	65,902	—	73,500
Total cost of revenue	128,856	3,306	132,162	28,635	37,267	—	65,902	—	198,064
Net revenue	149,542	2,784	152,326	80,452	62,111	—	142,563	147	295,036
Expenses									
Operations and administration	101,153	3,249	104,402	23,408	25,120	19,639	68,167	19,017	191,586
Depreciation and amortization	10,304	403	10,707	1,905	523	1,690	4,118	4,436	19,261
Total expenses	111,457	3,652	115,109	25,313	25,643	21,329	72,285	23,453	210,847
Income (loss) from operations	$38,085	$(868)	$37,217	$55,139	$36,468	$(21,329)	$70,278	$(23,306)	$84,189
As of March 31, 2014									
Total assets	$1,120,709	$78,181	$1,198,890	$401,791	$210,579	$15,445	$627,815	$138,922	$1,965,627
Goodwill			$495,130				$210,362		$705,492

	Retail Services			E-Commerce					

	Domestic	Foreign	Total	Domestic	Foreign	Admin	Total	Corporate	Consolidated
Three Months Ended March 31, 2013									
Revenue									
Pawn loan fees and service charges	$74,174	$1,740	$75,914	$—	$—	$—	$—	$—	$75,914
Proceeds from disposition of merchandise	174,150	4,567	178,717	—	—	—	—	—	178,717
Consumer loan fees	28,322	—	28,322	90,641	91,242	—	181,883	—	210,205
Other	2,500	93	2,593	441	7	—	448	251	3,292
Total revenue	279,146	6,400	285,546	91,082	91,249	—	182,331	251	468,128
Cost of revenue									
Disposed merchandise	117,687	3,648	121,335	—	—	—	—	—	121,335
Consumer loan loss provision	6,778	—	6,778	29,823	38,251	—	68,074	—	74,852
Total cost of revenue	124,465	3,648	128,113	29,823	38,251	—	68,074	—	196,187
Net revenue	154,681	2,752	157,433	61,259	52,998	—	114,257	251	271,941
Expenses									
Operations and administration	90,702	3,603	94,305	21,405	24,647	19,530	65,582	16,937	176,824
Depreciation and amortization	8,801	399	9,200	2,428	560	1,455	4,443	3,888	17,531
Total expenses	99,503	4,002	103,505	23,833	25,207	20,985	70,025	20,825	194,355
Income (loss) from operations	$55,178	$(1,250)	$53,928	$37,426	$27,791	$(20,985)	$44,232	$(20,574)	$77,586
As of March 31, 2013									
Total assets	$915,772	$128,534	$1,044,306	$357,027	$179,767	$15,150	$551,944	$131,189	$1,727,439
Goodwill			$400,871				$210,369		$611,240

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CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

10. Commitments and Contingencies

Litigation

2013 Litigation Settlement

On August 6, 2004, James E. Strong filed a purported class action lawsuit in the State Court of Cobb County, Georgia against Georgia Cash America, Inc., Cash America International, Inc. (together with Georgia Cash America, Inc., "Cash America"), Daniel R. Feehan (the Company's chief executive officer), and several unnamed officers, directors, owners and "stakeholders" of Cash America. In August 2006, James H. Greene and Mennie Johnson were permitted to join the lawsuit as named plaintiffs, and in June 2009, the court agreed to the removal of James E. Strong as a named plaintiff. The lawsuit alleges many different causes of action, among the most significant of which is that Cash America made illegal short-term loans in Georgia in violation of Georgia's usury law, the Georgia Industrial Loan Act and Georgia's Racketeer Influenced and Corrupt Organizations Act. First National Bank of Brookings, South Dakota ("FNB"), and Community State Bank of Milbank, South Dakota ("CSB"), for some time made loans to Georgia residents through Cash America's Georgia operating locations. The complaint in this lawsuit claims that Cash America was the true lender with respect to the loans made to Georgia borrowers and that FNB and CSB's involvement in the process is "a mere subterfuge." Based on this claim, the suit alleges that Cash America was the "de facto" lender and was illegally operating in Georgia. The complaint seeks unspecified compensatory damages, attorney's fees, punitive damages and the trebling of any compensatory damages. In November 2009 the case was certified as a class action lawsuit.

This case was scheduled to go to trial in November 2013, but on October 9, 2013, the parties agreed to a memorandum of understanding (the "Settlement Memorandum"). Pursuant to the Settlement Memorandum, the parties filed a joint motion containing the full terms of the settlement (the "Settlement Agreement") with the trial court for approval on October 24, 2013, and the trial court preliminarily approved the Settlement Agreement on November 4, 2013. On January 16, 2014, the trial court issued its final approval of the settlement and entered the Final Order and Judgment. The Settlement Agreement required a minimum payment by the Company of $18.0 million and a maximum payment of $36.0 million to cover class claims (including honorarium payments to the named plaintiffs) and the plaintiffs' attorneys' fees and costs (including the costs of claims administration) (the "Class Claims and Costs"), all of which will count towards the aggregate payment for purposes of determining whether the minimum payment has been made or the maximum payment has been reached. The Company denies all of the material allegations of the lawsuit and denies any and all liability or wrongdoing in connection with the conduct described in the lawsuit, but the Company agreed to the settlement to eliminate the uncertainty, distraction, burden and expense of further litigation.

In accordance with ASC 450, Contingencies, the Company recognized a liability in 2013 in the amount of $18.0 million. The liability was recorded in "Accounts payable and accrued liabilities" in the consolidated balance sheets and "Operations and administration expense" in the consolidated statements of income for the year ended December 31, 2013. The Class Claims and Costs have been finalized, and the Company is required to pay $18.6 million in connection with the Class Claims and Costs, $18.3 million of which was paid during the three months ended March 31, 2014.

Ohio Litigation

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

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CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

On December 3, 2012, the Ohio Ninth District Court of Appeals affirmed the Municipal Court's ruling in a 2-1 decision. Although this court decision is only legally binding in the Ninth District of Ohio, which includes four counties in northern Ohio where Cashland operates seven stores and where the Company has modified its short-term loan product in response to this decision, other Ohio courts may consider this decision.
The Supreme Court of Ohio heard the Company's appeal of the Ninth District Court's decision in December 2013, and a decision is expected during the first half of 2014. If the Ninth District Court's decision is upheld by the Ohio Supreme Court on appeal, the Company's Ohio operations may be adversely affected. The Company relies on the OMLA to make short-term loans in its retail services locations in Ohio, and if the Company is unable to continue making short-term loans under this law, it will alter its short-term loan product in Ohio. In addition, following