EZCORP INC
Form 10-Q/A
November 09, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q/A
Amendment No. 1

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

For the quarterly period ended December 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 No. 0-19424

EZCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	74-2540145 (I.R.S. Employer Identification No.)
2500 Bee Cave Road, Building 1, Suite 200 Rollingwood, Texas	78746
(Address of principal executive offices)	(Zip Code)

(512) 314-3400
Registrant’s telephone number, including area code:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 ¨ No x

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:
The only class of voting securities of the registrant issued and outstanding is the Class B Voting Common Stock, par value $.01 per share, all of which is owned by an affiliate of the registrant. There is no trading market for the Class B Voting Common Stock.
As of December 31, 2014, 50,680,358 shares of the registrant's Class A Non-voting Common Stock, par value $.01 per share, and 2,970,171 shares of the registrant's Class B Voting Common Stock, par value $.01 per share, were outstanding.

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EXPLANATORY NOTE

Restatement of Consolidated Financial Statements

We have restated our financial statements for the fiscal years ended September 30, 2014, 2013 and 2012 (including the unaudited quarterly periods within those years, other than the first quarter of fiscal 2012), and are restating our financial statements for the first quarter of fiscal 2015, in order to correct certain accounting errors related to our Grupo Finmart loan portfolio. For a discussion of the Grupo Finmart portfolio review, the accounting errors identified and the impact of the restatement adjustments on the financial statements for the first quarter of fiscal 2015, see "Part I, Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Grupo Finmart Portfolio Review and Restatement" and Note 2 of Notes to Interim Condensed Consolidated Financial Statements included in "Part I, Item 1 — Financial Statements."

Internal Control Over Financial Reporting

Management reassessed its evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2014, and concluded that a number of deficiencies in the design and operating effectiveness of our internal controls, collectively, represent material weaknesses in our internal control over financial reporting and, therefore, that we did not maintain effective internal control over financial reporting as of September 30, 2014, September 30, 2013 and September 30, 2012. For a description of the material weaknesses identified by management and management's plan to remediate those material weaknesses, see "Part I, Item 4 — Controls and Procedures."

Amended Reports

We are concurrently filing an Amended Annual Report on Form 10-K/A for the fiscal year ended September 30, 2014 (the "Amended FY14 Annual Report"), which contains the restated financial statements for fiscal 2014, 2013 and 2012 (including the restated quarterly periods within those years), as well as our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2015 and June 30, 2015, all of which reflect the effects of the restatement.

This Amended Quarterly Report on Form 10-Q/A does not reflect events occurring after the original filing date of February 7, 2015, and does not modify or update disclosures in the original filing that may have been affected by subsequent events, except for the effects of the restatement and the other subsequent events described in Note 18 of Notes to Interim Condensed Consolidated Financial Statement included in "Part I, Item 1 — Financial Statements." Other disclosures not affected by the restatement are unchanged and reflect the disclosures made at the time of original filing.

This Amended Quarterly Report on Form 10-Q/A reflects amendments to the following items:

- Part I, Item 1 — Financial Statements
- Part I, Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part I, Item 4 — Controls and Procedures
- Part II, Item 6 — Exhibits

The Company's Chief Executive Officer and Chief Financial Officer are providing currently dated certifications in connection with this Amended Quarterly Report on Form 10-Q/A. See Exhibits 31.1, 31.2 and 32.1.

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PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
EZCORP, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 31, 2014 (Unaudited) As Restated (See Note 2)	December 31, 2013 (Unaudited)	September 30, 2014
Assets:			
Current assets:			
Cash and cash equivalents	$77,599	$ 32,689	$ 55,325
Restricted cash	60,218	8,371	63,495
Pawn loans	150,930	153,421	162,444
Consumer loans, net	61,347	62,653	63,995
Pawn service charges receivable, net	30,241	30,842	31,044
Consumer loan fees and interest receivable, net	13,199	17,415	12,647
Inventory, net	132,659	142,159	138,175
Deferred tax asset	17,572	15,302	17,572
Prepaid income taxes	52,823	21,204	57,069
Receivables, prepaid expenses and other current assets	34,075	42,895	33,097
Total current assets	630,663	526,951	634,863
Investments in unconsolidated affiliates	99,219	97,424	91,781
Property and equipment, net	104,353	114,539	105,900
Restricted cash, non-current	4,310	4,189	5,070
Goodwill	337,498	434,835	346,577
Intangible assets, net	62,077	66,749	66,086
Non-current consumer loans, net	78,362	78,686	85,004
Deferred tax asset	10,617	7,543	12,142
Other assets, net	77,352	28,935	63,121
Total assets (1)(3)	$1,404,451	$ 1,359,851	$ 1,410,544
Liabilities and stockholders' equity:			
Current liabilities:			
Current maturities of long-term debt	$74,832	$ 23,516	$ 36,111
Current capital lease obligations	258	533	418
Accounts payable and other accrued expenses	81,417	77,880	94,993
Other current liabilities	6,000	11,988	8,595
Customer layaway deposits	5,133	5,782	8,097
Total current liabilities	167,640	119,699	148,214
Long-term debt, less current maturities	387,154	246,852	392,054
Long-term capital lease obligations	—	253	—
Deferred gains and other long-term liabilities	8,446	28,524	15,172
Total liabilities (2)(4)	563,240	395,328	555,440
Commitments and contingencies			
Temporary equity:			
Redeemable noncontrolling interest	18,550	45,825	22,800
Stockholders' equity:			

Class A Non-voting Common Stock, par value $.01 per share; shares authorized: 100 million as of December 31, 2014; 56 million as of December 31, 2013; and 100 million as of September 30, 2014; issued and outstanding: 50,680,358 as of December 31, 2014; 51,389,307 as of December 31, 2013; and 50,614,767 as of September 30, 2014	506	513	506
Class B Voting Common Stock, convertible, par value $.01 per share; 3 million shares authorized; issued and outstanding: 2,970,171	30	30	30
Additional paid-in capital	329,443	321,354	332,264
Retained earnings	521,198	599,978	509,586
Accumulated other comprehensive loss	(28,516)	(3,177)	(10,082)
EZCORP, Inc. stockholders' equity	822,661	918,698	832,304
Total liabilities and stockholders' equity	$1,404,451	$ 1,359,851	$ 1,410,544

See accompanying notes to interim condensed consolidated financial statements.

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Assets and Liabilities of Consolidated Variable Interest Entities (See Note 17)

(1) Our consolidated assets as of December 31, 2014 and 2013 and September 30, 2014 include the following assets of our consolidated variable interest entities:

	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	September 30, 2014
	As Restated (See Note 2)		
	(in thousands)		
Restricted cash	$1,903	$ 3	$ 1,921
Consumer loans, net	16,810	3,393	16,465
Consumer loan fees and interest receivable, net	3,579	1,034	3,058
Non-current consumer loans, net	36,297	7,829	35,780
Total assets	$58,589	$ 12,259	$ 57,224

(2) Our consolidated liabilities as of December 31, 2014 and 2013 and September 30, 2014 include the following liabilities of our consolidated variable interest entities:

	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	September 30, 2014
	As Restated (See Note 2)		
	(in thousands)		
Accounts payable and other accrued expenses	$3,007	$ 382	$ 2,105
Current maturities of long-term debt	50,043	6,778	25,438
Long-term debt, less current maturities	63,125	11,563	35,624
Total liabilities	$116,175	$ 18,723	$ 63,167

Assets and Liabilities of Grupo Finmart Securitization Trust

(3) Our consolidated assets as of December 31, 2014 and 2013 and September 30, 2014 include the following assets of Grupo Finmart's Securitization trust that can only be used to settle its liabilities:

	December 31, 2014 (Unaudited)	December 31, 2013 Unaudited)	September 30, 2014
		(in thousands)	
Restricted cash	$22,457	$—	$23,592
Consumer loans, net	35,069	34,123	41,588
Consumer loan fees and interest receivable, net	4,937	7,060	5,489
Restricted cash, non-current	123	4,189	133
Other assets, net	2,545	1,998	2,847
Total assets	$65,131	$47,370	73,649

(4) Our consolidated liabilities as of December 31, 2014 and 2013 and September 30, 2014 include the following liabilities for which the creditors of Grupo Finmart's securitization trust do not have recourse to the general credit of EZCORP, Inc.:

	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	September 30, 2014
		(in thousands)	
Long-term debt, less current maturities	$49,475	$32,147	$54,045

See accompanying notes to interim condensed consolidated financial statements.

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,	
	2014	2013
	(Unaudited) As Restated (See Note 2) (in thousands, except per share amounts)	
Revenues:		
Merchandise sales	$109,639	$105,587
Jewelry scrapping sales	18,534	27,703
Pawn service charges	64,927	64,133
Consumer loan fees and interest	58,847	55,204
Other revenues	871	1,129
Total revenues	252,818	253,756
Merchandise cost of goods sold	72,478	64,141
Jewelry scrapping cost of goods sold	14,675	20,020
Consumer loan bad debt	22,050	18,188
Net revenues	143,615	151,407
Operating expenses:		
Operations	103,694	105,361
Administrative	8,352	15,724
Depreciation	7,573	7,340
Amortization	1,457	1,365
Loss (gain) on sale or disposal of assets	259	(6,290)
Total operating expenses	121,335	123,500
Operating income	22,280	27,907
Interest expense	12,034	5,051
Interest income	(532)	(197)
Equity in net income of unconsolidated affiliates	(2,194)	(1,271)
Other expense (income)	759	(168)
Income from continuing operations before income taxes	12,213	24,492
Income tax expense	3,578	4,823
Income from continuing operations, net of tax	8,635	19,669
Income (loss) from discontinued operations, net of tax	1,043	(2,735)
Net income	9,678	16,934
Net loss from continuing operations attributable to redeemable noncontrolling interest	(1,934)	(1,796)
Net income attributable to EZCORP, Inc.	$11,612	$18,730
Basic earnings (loss) per share attributable to EZCORP, Inc.:		
Continuing operations	$0.20	$0.40
Discontinued operations	0.02	(0.05)
Basic earnings per share	$0.22	$0.35
Diluted earnings (loss) per share attributable to EZCORP, Inc.:		
Continuing operations	$0.20	$0.39
Discontinued operations	0.02	(0.05)

Diluted earnings per share	$0.22	$0.34
Weighted-average shares outstanding:		
Basic	53,650	54,332
Diluted	53,698	54,362
Net income from continuing operations attributable to EZCORP, Inc.	$10,569	$21,465
Income (loss) from discontinued operations attributable to EZCORP, Inc.	1,043	(2,735)
Net income attributable to EZCORP, Inc.	$11,612	$18,730

See accompanying notes to interim condensed consolidated financial statements.

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three Months Ended December 31,	
	2014	2013
	(Unaudited)	
	As Restated (See Note 2)	
	(in thousands)	
Net income	$9,678	$16,934
Other comprehensive (loss) income:		
Foreign currency translation (loss) gain	(21,521)	4,565
Cash flow hedges:		
Unrealized loss before reclassifications	—	(346)
Amounts reclassified from accumulated other comprehensive loss	352	245
Unrealized holding loss on available-for-sale arising during period	—	(9)
Income tax benefit (expense)	419	(863)
Other comprehensive (loss) income, net of tax	(20,750)	3,592
Comprehensive (loss) income	$(11,072)	$20,526
Attributable to redeemable noncontrolling interest:		
Net loss	(1,934)	(1,796)
Foreign currency translation (loss) gain	(2,402)	324
Amounts reclassified from accumulated other comprehensive loss	86	—
Comprehensive loss attributable to redeemable noncontrolling interest	(4,250)	(1,472)
Comprehensive (loss) income attributable to EZCORP, Inc.	$(6,822)	$21,998

See accompanying notes to interim condensed consolidated financial statements.

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31, 2014	2013
	(Unaudited) As Restated (See Note 2) (in thousands)	
Operating activities:		
Net income	$9,678	$16,934
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,030	9,363
Amortization (accretion) of debt discount (premium) and consumer loan premium (discount), net	1,982	(432)
Consumer loan loss provision	7,590	11,231
Deferred income taxes	1,498	694
Amortization of deferred financing costs	1,633	890
Amortization of prepaid commissions	3,013	2,226
Other adjustments	(176)	(206)
Loss (gain) on sale or disposal of assets	324	(6,422)
Stock compensation (benefit) expense	(2,458)	1,207
Income from investments in unconsolidated affiliates	(2,194)	(1,271)
Changes in operating assets and liabilities, net of acquisitions:		
Service charges and fees receivable	(3,361)	3,179
Inventory	509	168
Receivables. prepaid expenses, other current assets and other assets	(7,824)	(17,870)
Accounts payable and other accrued expenses and deferred gains and other long-term liabilities	(13,955)	(8,488)
Customer layaway deposits	(2,895)	(2,853)
Change in restricted cash	(933)	—
Prepaid income taxes	4,099	2,544
Payments of restructuring charges	(2,285)	—
Dividends from unconsolidated affiliates	2,407	2,597
Net cash provided by operating activities	5,682	13,491
Investing activities:		
Loans made	(223,748)	(232,294)
Loans repaid	166,771	154,576
Recovery of pawn loan principal through sale of forfeited collateral	69,886	64,776
Additions to property and equipment	(8,954)	(5,615)
Acquisitions, net of cash acquired	—	(10,395)
Investments in unconsolidated affiliates	(12,140)	—
Proceeds from sale of assets	—	9,882
Net cash used in investing activities	(8,185)	(19,070)

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Financing activities:		
Taxes paid related to net share settlement of equity awards	(196)	—
Debt issuance costs	—	(3,080)
Payout of deferred and contingent consideration	(6,000)	(11,500)
Proceeds from settlement of forward currency contracts	2,313	—
Change in restricted cash	(795)	154
Proceeds from revolving line of credit	—	80,887
Payments on revolving line of credit	—	(74,908)
Proceeds from borrowings	66,560	35,838
Payments on borrowings and capital lease obligations	(34,650)	(18,289)
Net cash provided by financing activities	27,232	9,102
Effect of exchange rate changes on cash and cash equivalents	(2,455)	66
Net increase in cash and cash equivalents	22,274	3,589
Cash and cash equivalents at beginning of period	55,325	29,100
Cash and cash equivalents at end of period	$77,599	$32,689
Non-cash investing and financing activities:		
Pawn loans forfeited and transferred to inventory	$66,699	$63,256
Deferred consideration	—	5,350
Contingent consideration	—	4,792
Note receivable from sale of assets	—	1,000

See accompanying notes to interim condensed consolidated financial statements.

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	EZCORP, Inc. Stockholders' Equity
	(Unaudited, except balances as of September 30, 2014 and 2013) As Restated (See Note 2) (in thousands)					
Balances as of September 30, 2013	54,240	$ 543	$ 320,537	$ 581,248	$ (6,445)	$ 895,883
Stock compensation		—	1,207	—	—	1,207
Release of restricted stock	120	—	—	—	—	—
Tax deficiency of stock compensation	—	—	(390)	—	—	(390)
Effective portion of cash flow hedge	—	—	—	—	(101)	(101)
Unrealized loss on available-for-sale securities	—	—	—	—	(6)	(6)
Foreign currency translation adjustment	—	—	—	—	3,375	3,375
Net income attributable to EZCORP, Inc.	—	—	—	18,730	—	18,730
Balances as of December 31, 2013	54,360	$ 543	$ 321,354	$ 599,978	$ (3,177)	$ 918,698
Balances as of September 30, 2014	53,585	$ 536	$ 332,264	$ 509,586	$ (10,082)	$ 832,304
Stock compensation benefit	—	—	(2,458)	—	—	(2,458)
Release of restricted stock	65	—	—	—	—	—
Tax deficiency of stock compensation	—	—	(167)	—	—	(167)
Taxes paid related to net share settlement of equity awards	—	—	(196)	—	—	(196)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	266	266
Foreign currency translation adjustment	—	—	—	—	(18,700)	(18,700)
Net income attributable to EZCORP, Inc.	—	—	—	11,612	—	11,612
Balances as of December 31, 2014 (As Restated)	53,650	$ 536	$ 329,443	$ 521,198	$ (28,516)	$ 822,661

See accompanying notes to interim condensed consolidated financial statements.

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EZCORP, Inc.
Notes to Interim Condensed Consolidated Financial Statements (Unaudited)
December 31, 2014

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

We are a leading provider of specialty consumer financial services. With approximately 7,000 teammates and approximately 1,400 locations and branches, we provide collateralized, non-recourse loans, commonly known as pawn loans, and a variety of short-term and long-term consumer loans including single-payment and multiple-payment unsecured loans and single-payment and multiple-payment auto title loans, or fee-based credit services to customers seeking loans in the United States, Mexico and Canada.

In addition, we are the franchisor for four Cash Converters stores in Canada pursuant to our acquisition of the Cash Converters master franchise in that country. We also own approximately 32% of Cash Converters International Limited ("Cash Converters International"), which is based in Australia and franchises and operates a worldwide network of over 750 locations that provide financial services and buy and sell second-hand goods.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Our management has included all adjustments it considers necessary for a fair presentation. These adjustments are of a normal, recurring nature except for those related to discontinued operations (described in Note 3). Furthermore, certain reclassifications of prior period amounts have been made to conform to the current period presentation. These reclassifications did not have a material impact on our financial position, results of operations or cash flows.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes included in our Amended Annual Report on Form 10-K/A for the year ended September 30, 2014. The balance sheet as of September 30, 2014 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Our business is subject to seasonal variations, and operating results for the three months ended December 31, 2014 (the "current quarter") are not necessarily indicative of the results of operations for the full fiscal year.

The condensed consolidated financial statements include the accounts of EZCORP, Inc. ("EZCORP") and its consolidated subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

As of December 31, 2014, we owned 76% of the outstanding equity interests in Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart"), doing business under the brands "Crediamigo" and "Adex," and 59% of Renueva Comercial S.A.P.I. de C.V. ("TUYO"), and therefore, include their results in our condensed consolidated financial statements.

To determine if we hold a controlling financial interest in an entity, we first evaluate if we are required to apply the variable interest entity (“VIE”) model to the entity; otherwise, the entity is evaluated under the voting interest model. Where we hold current or potential rights that give us the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance combined with a variable interest that gives us the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, we have a controlling financial interest in that VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally. Grupo Finmart has completed several transfers of consumer loans to various securitization trusts. We consolidate those securitization trusts under the VIE model. See Note 17.

We account for our investment in Cash Converters International using the equity method.

There have been no changes in significant accounting policies as described in our Amended Annual Report on Form 10-K/A for the year ended September 30, 2014.

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Use of Estimates and Assumptions

The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, inventory, loan loss allowances, long-lived and intangible assets, income taxes, contingencies and litigation. We base our estimates on historical experience, observable trends and various other assumptions that we believe are reasonable under the circumstances. We use this information to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from the estimates under different assumptions or conditions.

NOTE 2: RESTATEMENT OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Correction of Accounting Errors

Subsequent to the filing of our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2014, management identified the following accounting errors relating to the Company’s Grupo Finmart loan portfolio:

- During fiscal 2014 and the first quarter of fiscal 2015, Grupo Finmart completed six structured asset sales pursuant to which a portion of Grupo Finmart’s consumer loan portfolio was sold to special purpose trusts for the benefit of third parties. These transactions were previously accounted for as sales. Management has now concluded that the special purpose trusts should be consolidated variable interest entities and the transactions should be accounted for as transfers of financial assets to those consolidated variable interest entities. See Note 17.
- Management has also concluded that the Company has incorrectly accounted for accrued interest revenue and bad debt expense on loans with respect to which Grupo Finmart was not currently receiving payments (“non-performing” loans). Specifically:

Management determined that the non-performing loans included out-of-payroll loans that had not been correctly classified and recognized as such, causing an understatement of bad debt expense and an overstatement of accrued interest revenue;

Management determined it was appropriate to (1) accrue and recognize interest income over the period that payments are expected to be received rather than over the stated term of the loan and (2) apply a 100% reserve policy on in-payroll loans that have been in non-performing status for 180 consecutive days; and

Management determined it was appropriate to expense certain brokerage commission costs as incurred rather than amortize those costs over future periods.

Other Restatement Adjustments

In addition to correcting the accounting errors discussed above, our restated financial statements for the affected periods include adjustments for certain other accounting errors. When the financial statements were originally issued, we assessed the impact of these errors and concluded that they were not material to the financial statements for the affected periods. However, in conjunction with the restatement of our financial statements to correct the errors described above, we have determined that it is appropriate to make adjustments for all such previously unrecorded errors. These adjustments for the first quarter of fiscal 2015 are primarily to correct for immaterial timing differences related to stock compensation charges, impairment charges and inventory reserve estimates.

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Impact of Restatement Adjustments on Unaudited Quarterly Financial Statements

The following table summarizes the impact of the restatement adjustments for the first quarter of fiscal 2015 (ended December 31, 2014):

	Quarter Ended December 31, 2014 (in thousands)
Income from continuing operations before income taxes (as previously reported)	$20,435
Asset sale impact	(1,772)
Portfolio review impact	(8,039)
Other impacts	1,589
Net impact of adjustments	(8,222)
Income from continuing operations before income taxes (as restated)	$12,213

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The effects of the restatement on our unaudited condensed consolidated financial statements as of and for the quarter ended December 31, 2014 are set forth below.
EZCORP, Inc.
CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands, except share amounts)

	December 31, 2014 (Unaudited)		
	As Previously Reported	Restatement Adjustments	As Restated
Assets:			
Current assets:			
Cash and cash equivalents	$77,599	$ —	$77,599
Restricted cash	60,218	—	60,218
Pawn loans	150,930	—	150,930
Consumer loans, net	62,380	(1,033)	61,347
Pawn service charges receivable, net	30,241	—	30,241
Consumer loan fees and interest receivable, net	28,355	(15,156)	13,199
Inventory, net	133,986	(1,327)	132,659
Deferred tax asset	20,858	(3,286)	17,572
Prepaid income taxes	23,790	29,033	52,823
Receivables, prepaid expenses and other current assets	34,195	(120)	34,075
Total current assets	622,552	8,111	630,663
Investments in unconsolidated affiliates	99,219	—	99,219
Property and equipment, net	104,353	—	104,353
Restricted cash, non-current	3,454	856	4,310
Goodwill	337,498	—	337,498
Intangible assets, net	60,739	1,338	62,077
Non-current consumer loans, net	36,449	41,913	78,362
Deferred tax asset	11,630	(1,013)	10,617
Other assets, net	75,489	1,863	77,352
Total assets	$1,351,383	$ 53,068	$1,404,451
Liabilities and stockholders' equity:			
Current liabilities:			
Current maturities of long-term debt	$24,789	$ 50,043	$74,832
Current capital lease obligations	258	—	258
Accounts payable and other accrued expenses	80,314	1,103	81,417
Other current liabilities	6,000	—	6,000
Customer layaway deposits	5,133	—	5,133
Total current liabilities	116,494	51,146	167,640
Long-term debt, less current maturities	324,029	63,125	387,154
Long-term capital lease obligations	—	—	—
Deferred gains and other long-term liabilities	10,803	(2,357)	8,446
Total liabilities	451,326	111,914	563,240
Commitments and contingencies			
Temporary equity:			
Redeemable noncontrolling interest	31,868	(13,318)	18,550
Stockholders' equity:			

Class A Non-voting Common Stock, par value $.01 per share; shares authorized: 100 million as of December 31, 2014; issued and outstanding: 50,680,358 as of December 31, 2014	506	—	506
Class B Voting Common Stock, convertible, par value $.01 per share; 3 million shares authorized; issued and outstanding: 2,970,171	30	—	30
Additional paid-in capital	338,667	(9,224)	329,443
Retained earnings	562,437	(41,239)	521,198
Accumulated other comprehensive loss	(33,451)	4,935	(28,516)
EZCORP, Inc. stockholders’ equity	868,189	(45,528)	822,661
Total liabilities and stockholders’ equity	$1,351,383	$ 53,068	$1,404,451

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended December 31, 2014 (Unaudited) (in thousands, except per share amounts)		
	As Previously Reported	Restatement Adjustments	As Restated
Revenues:			
Merchandise sales	$109,639	$—	$109,639
Jewelry scrapping sales	18,534	—	18,534
Pawn service charges	64,927	—	64,927
Consumer loan fees and interest	52,232	6,615	58,847
Other revenues	7,312	(6,441)	871
Total revenues	252,644	174	252,818
Merchandise cost of goods sold	72,388	90	72,478
Jewelry scrapping cost of goods sold	14,675	—	14,675
Consumer loan bad debt	15,251	6,799	22,050
Net revenues	150,330	(6,715)	143,615
Operating expenses:			
Operations	103,656	38	103,694
Administrative	10,174	(1,822)	8,352
Depreciation	7,573	—	7,573
Amortization	1,457	—	1,457
Loss on sale or disposal of assets	259	—	259
Total operating expenses	123,119	(1,784)	121,335
Operating income	27,211	(4,931)	22,280
Interest expense	8,958	3,076	12,034
Interest income	(525)	(7)	(532)
Equity in net income of unconsolidated affiliates	(2,194)	—	(2,194)
Other expense	537	222	759
Income from continuing operations before income taxes	20,435	(8,222)	12,213
Income tax expense	6,365	(2,787)	3,578
Income from continuing operations, net of tax	14,070	(5,435)	8,635
Income from discontinued operations, net of tax	1,043	—	1,043
Net income	15,113	(5,435)	9,678
Net loss from continuing operations attributable to redeemable noncontrolling interest	(147)	(1,787)	(1,934)
Net income attributable to EZCORP, Inc.	$15,260	$(3,648)	$11,612
Basic earnings per share attributable to EZCORP, Inc.:			
Continuing operations	$0.26	$(0.06)	$0.20
Discontinued operations	0.02	—	0.02
Basic earnings per share	$0.28	$(0.06)	$0.22
Diluted earnings per share attributable to EZCORP, Inc.:			
Continuing operations	$0.26	$(0.06)	$0.20
Discontinued operations	0.02	—	0.02
Diluted earnings per share	$0.28	$(0.06)	$0.22

Net income from continuing operations attributable to EZCORP, Inc.	$14,217	$(3,648)	$10,569
Income from discontinued operations attributable to EZCORP, Inc.	1,043	—	1,043
Net income attributable to EZCORP, Inc.	$15,260	$(3,648)	$11,612

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME

	Three Months Ended December 31, 2014 (Unaudited) (in thousands)		
	As Previously Reported	Restatement Adjustments	As Restated
Net income	$15,113	$(5,435)	$9,678
Other comprehensive loss:			
Foreign currency translation loss	(27,145)	5,624	(21,521)
Cash flow hedges:		—	
Amounts reclassified from accumulated other comprehensive loss	352	—	352
Income tax benefit	2,050	(1,631)	419
Other comprehensive loss, net of tax	(24,743)	3,993	(20,750)
Comprehensive loss	$(9,630)	$(1,442)	$(11,072)
Attributable to redeemable noncontrolling interest:			
Net loss	(147)	(1,787)	(1,934)
Foreign currency translation loss	(3,569)	1,167	(2,402)
Amounts reclassified from accumulated other comprehensive loss	86	—	86
Comprehensive loss attributable to redeemable noncontrolling interest	(3,630)	(620)	(4,250)
Comprehensive loss attributable to EZCORP, Inc.	$(6,000)	$(822)	$(6,822)

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended December 31, 2014 (Unaudited) (in thousands)		
	As Previously Reported	Restatement Adjustments	As Restated
Operating activities:			
Net income	$15,113	$(5,435)	$9,678
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,030	—	9,030
Amortization of debt discount and consumer loan premium	1,982	—	1,982
Consumer loan loss provision	6,241	1,349	7,590
Deferred income taxes	1,497	1	1,498
Amortization of deferred financing costs	1,633	—	1,633
Amortization of prepaid commissions	2,967	46	3,013
Other adjustments	(176)	—	(176)
Loss on sale or disposal of assets	324	—	324
Gain on sale of loan portfolio	(6,576)	6,576	—
Stock compensation benefit	(636)	(1,822)	(2,458)
Income from investments in unconsolidated affiliates	(2,194)	—	(2,194)
Tax provision from stock compensation	167	(167)	—
Changes in operating assets and liabilities, net of business acquisitions:			
Service charges and fees receivable	(806)	(2,555)	(3,361)
Inventory	421	88	509
Receivables. prepaid expenses, other current assets and other assets	(7,926)	102	(7,824)
Accounts payable and other accrued expenses and deferred gains and other long-term liabilities	(10,911)	(3,044)	(13,955)
Customer layaway deposits	(2,895)	—	(2,895)
Deferred gains and other long-term liabilities	(278)	278	—
Change in restricted cash	(933)	—	(933)
Prepaid income taxes	4,769	(670)	4,099
Payments of restructuring charges	(2,285)	—	(2,285)
Dividends from unconsolidated affiliates	2,407	—	2,407
Net cash provided by operating activities	10,935	(5,253)	5,682
Investing activities:			
Loans made	(223,748)	—	(223,748)
Loans repaid	147,981	18,790	166,771
Recovery of pawn loan principal through sale of forfeited collateral	69,886	—	69,886
Additions to property and equipment	(8,954)	—	(8,954)
Investments in unconsolidated affiliates	(12,140)	—	(12,140)
Proceeds from sale of assets	65,849	(65,849)	—
Net cash (used in) provided by investing activities	38,874	(47,059)	(8,185)

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Financing activities:			
Tax deficiency of stock compensation	(167)	167	—
Taxes paid related to net share settlement of equity awards	(196)	—	(196)
Payout of deferred and contingent consideration	(6,000)	—	(6,000)
Proceeds from settlement of forward currency contracts	2,313	—	2,313
Change in restricted cash	(1,840)	1,045	(795)
Proceeds from bank borrowings	3,609	62,951	66,560
Payments on bank borrowings and capital lease obligations	(23,805)	(10,845)	(34,650)
Net cash provided by (used in) financing activities	(26,086)	53,318	27,232
Effect of exchange rate changes on cash and cash equivalents	(2,453)	(2)	(2,455)
Net increase in cash and cash equivalents	21,270	1,004	22,274
Cash and cash equivalents at beginning of period	56,329	(1,004)	55,325
Cash and cash equivalents at end of period	$77,599	$—	$77,599
Non-cash investing and financing activities:			
Pawn loans forfeited and transferred to inventory	$66,699	$—	$66,699

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EZCORP, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	EZCORP, Inc. Stockholders' Equity
	(Unaudited, except balances as of September 30, 2014) (in thousands)					
	As Previously Reported					
Balances as of September 30, 2014	53,585	$536	$339,666	$547,177	$(12,191)	$875,188
Stock compensation benefit	—	—	(636)	—	—	(636)
Release of restricted stock	65	—	—	—	—	—
Tax deficiency of stock compensation	—	—	(167)	—	—	(167)
Taxes paid related to net share settlement of equity awards	—	—	(196)	—	—	(196)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	266	266
Foreign currency translation adjustment	—	—	—	—	(21,526)	(21,526)
Net income attributable to EZCORP, Inc.	—	—	—	15,260	—	15,260
Balances as of December 31, 2014	53,650	$536	$338,667	$562,437	$(33,451)	$868,189
	Restatement Adjustments					
Balances as of September 30, 2014	—	$—	$(7,402)	$(37,591)	$2,109	$(42,884)
Stock compensation benefit	—	—	(1,822)	—	—	(1,822)
Foreign currency translation adjustment	—	—	—	—	2,826	2,826
Net income attributable to EZCORP, Inc.	—	—	—	(3,648)	—	(3,648)
Balances as of December 31, 2014	—	$—	$(9,224)	$(41,239)	$4,935	$(45,528)
	As Restated					
Balances as of September 30, 2014	53,585	$536	$332,264	$509,586	$(10,082)	$832,304
Stock compensation benefit	—	—	(2,458)	—	—	(2,458)
Release of restricted stock	65	—	—	—	—	—
Tax deficiency of stock compensation	—	—	(167)	—	—	(167)
Taxes paid related to net share settlement of equity awards	—	—	(196)	—	—	(196)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	266	266
Foreign currency translation adjustment	—	—	—	—	(18,700)	(18,700)
Net income attributable to EZCORP, Inc.	—	—	—	11,612	—	11,612
Balances as of December 31, 2014	53,650	$536	$329,443	$521,198	$(28,516)	$822,661

NOTE 3: DISCONTINUED OPERATIONS AND RESTRUCTURING

Discontinued Operations

During the fourth quarter of fiscal 2014, as part of our new strategy to concentrate on an integrated, customer-centric financial services model that is focused on our core businesses of pawn and unsecured lending, we implemented a plan to exit our online lending businesses in the United States and the United Kingdom. As a result of this plan, our online lending operations in the United States (EZOnline) and in the United Kingdom (Cash Genie) have been included as discontinued operations.

During the third quarter of fiscal 2013, we implemented a plan to close 107 legacy stores in a variety of locations. These stores were generally older, smaller stores that did not fit our future growth profile.

As of December 31, 2014 and 2013, accrued lease termination costs, severance costs and other costs related to discontinued operations were $7.8 million and $3.8 million, respectively. These amounts are included under "Accounts payable and other accrued expenses" in our condensed consolidated balance sheets. During the quarters ended December 31, 2014 and 2013, $0.7 million and $1.7 million, respectively, in cash payments were made with respect to the recorded lease termination costs, severance costs and other costs related to discontinued operations. During the quarter ended December 31, 2014, the balance of accrued lease termination costs, severance costs and others related to discontinued operations was adjusted by $0.4 million due to foreign currency effects and other individually immaterial adjustments.

Discontinued operations in the quarters ended December 31, 2014 and 2013 include $1.3 million and $8.9 million of total revenues, respectively.

The table below summarizes the income (loss) from discontinued operations by operating segment:

	Three Months Ended December 31,	
	2014 As Restated (See Note 2)	2013
	(in thousands)	
U.S. & Canada:		
Net revenues	$1,006	$1,615
Expenses	77	4,402
Operating income (loss) from discontinued operations before taxes	929	(2,787)
Total termination benefits related to the reorganization	(1,093)	(640)
Income (loss) from discontinued operations before taxes	2,022	(2,147)
Income tax (provision) benefit	(224)	867
Income (loss) from discontinued operations, net of tax	$1,798	$(1,280)
Latin America:		
Net revenues	$—	$207
Expenses	—	929
Operating loss from discontinued operations before taxes	—	(722)
Total termination benefits related to the reorganization	—	(1,917)
Income from discontinued operations before taxes	—	1,195
Income tax provision	—	(359)
Income from discontinued operations, net of tax	$—	$836
Other International:		
Net revenues	$266	$2,034
Expenses	1,738	4,402
Operating loss from discontinued operations before taxes	(1,472)	(2,368)
Total termination costs related to the reorganization	(717)	—
Loss from discontinued operations before taxes	(755)	(2,368)
Income tax benefit	—	77
Loss from discontinued operations, net of tax	$(755)	$(2,291)
Consolidated:		
Net revenues	$1,272	$3,856
Expenses	1,815	9,733
Operating loss from discontinued operations before taxes	(543)	(5,877)
Total termination benefits related to the reorganization	(1,810)	(2,557)
Income (loss) from discontinued operations before taxes	1,267	(3,320)
Income tax provision	(224)	585
Income (loss) from discontinued operations, net of tax	$1,043	$(2,735)

All revenue, expense and income reported in these condensed consolidated financial statements have been adjusted to reflect reclassification of all discontinued operations.

Restructuring

During the fourth quarter of fiscal 2014, we conducted a company-wide operational review to realign our organization to streamline operations and create synergies and efficiencies. The operational review resulted in the reduction of non-customer-facing overhead. Changes in the balance of restructuring costs during the quarter ended December 31, 2014 resulting from this initiative are summarized as follows:

	Three Months Ended December 31, 2014
	(in thousands)
Balance as of September 30, 2014	$6,121
Charged to expense	22
Cash payments	(2,285)
Balance as of December 31, 2014	$3,858

The accrual for restructuring costs as of December 31, 2014 represents the amounts to be paid related to severance for employees that have been terminated or identified for termination as a result of the initiatives described above. We estimate we will make the remaining payments during fiscal 2015, at which time this initiative will be substantially complete. We continue to review the impact of these actions and will determine if, based on future operating results, additional actions to reduce operating expenses are necessary. The amount of any potential future charges for such actions will depend upon the nature, timing and extent of those actions.

NOTE 4: EARNINGS PER SHARE

The two-class method is utilized for the computation of earnings per share. The two-class method requires a portion of net income to be allocated to participating securities, which are unvested awards of share-based payments with non-forfeitable rights to receive dividends or dividend equivalents, if declared. Income allocated to these participating securities is excluded from net earnings allocated to common shares. There were no participating securities outstanding during the quarters ended December 31, 2014 and 2013.

We compute basic earnings per share on the basis of the weighted-average number of shares of common stock outstanding during the period. We compute diluted earnings per share on the basis of the weighted-average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include restricted stock awards and warrants.

Potential common shares are required to be excluded from the computation of diluted earnings per share if the assumed proceeds upon exercise or vest, as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718-10-25, are greater than the cost to re-acquire the same number of shares at the average market price, and therefore the effect would be anti-dilutive.

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Components of basic and diluted earnings per share and excluded anti-dilutive potential common shares are as follows:

	Three Months Ended December 31,	
	2014	2013
	As Restated (See Note 2)	
	(in thousands, except per share amounts)	
Net income from continuing operations attributable to EZCORP (A)	$10,569	$21,465
Income (loss) from discontinued operations, net of tax (B)	1,043	(2,735)
Net income attributable to EZCORP (C)	$11,612	$18,730
Weighted-average outstanding shares of common stock (D)	53,650	54,332
Dilutive effect of restricted stock	48	30
Weighted-average common stock and common stock equivalents (E)	53,698	54,362
Basic earnings per share attributable to EZCORP:		
Continuing operations (A / D)	$0.20	$0.40
Discontinued operations (B / D)	0.02	(0.05)
Basic earnings per share (C / D)	$0.22	$0.35
Diluted earnings per share attributable to EZCORP:		
Continuing operations (A / E)	$0.20	$0.39
Discontinued operations (B / E)	0.02	(0.05)
Diluted earnings per share (C / E)	$0.22	$0.34
Potential common shares excluded from the calculation of diluted earnings per share:		
Restricted stock	—	257
Warrants	14,317	—
Total potential common shares excluded	14,317	257

NOTE 5: STRATEGIC INVESTMENTS

Cash Converters International Limited

As of December 31, 2014, we owned 151,948,000 shares, or approximately 32%, of Cash Converters International, a company headquartered in Perth, Australia and publicly traded on the Australian Stock Exchange. Cash Converters International franchises and operates a worldwide network of over 750 specialty financial services and retail stores, with significant store concentrations in Australia and the United Kingdom, that buy and sell second-hand goods and provide pawn loans, short-term unsecured loans and other consumer finance products. Our initial total investment in Cash Converters International was acquired between November 2009 and November 2012 for approximately $68.8 million. An additional 15,100,000 shares were subsequently acquired in December 2014 for approximately $12.1 million in connection with a non-underwritten placement of 47,400,000 shares issued by Cash Converters International.

We account for our investment in Cash Converters International using the equity method. Since Cash Converters International's fiscal year ends three months prior to ours, we report the income from this investment on a three month lag. Cash Converters International files semi-annual financial reports with the Australian Securities & Investments Commission for its fiscal periods ending December 31 and June 30. Due to the three month lag, income reported for our three month periods ended December 31, 2014 and 2013 represents our percentage interest in the results of Cash Converters International's operations from July 1, 2014 to September 30, 2014 and July 1, 2013 to September 30, 2013, respectively.

During the quarters ended December 31, 2014 and 2013 our equity in Cash Converters International’s net income was $2.2 million and $2.4 million, respectively. Additionally, during the quarters ended December 31, 2014 and 2013 we recorded dividends from Cash Converters International of $2.4 million and $2.6 million, respectively.

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The following table presents summary financial information for Cash Converters International’s most recently reported results after translation to U.S. dollars (using the exchange rate as of June 30 of each year for balance sheet items and average exchange rates for the income statement items for the periods indicated):

	As of June 30,	
	2014	2013
	(in thousands)	
Current assets	$207,415	$158,373
Non-current assets	178,764	153,279
Total assets	$386,179	$311,652
Current liabilities	$95,242	$90,524
Non-current liabilities	60,441	451
Shareholders’ equity:		
Equity attributable to owners of the parent	233,788	220,676
Non-controlling interest	(3,292)	1
Total liabilities and shareholders’ equity	$386,179	$311,652

	Year ended June 30,	
	2014	2013
	(in thousands)	
Gross revenues	$304,432	$280,059
Gross profit	195,325	183,368
Profit for the period attributable to:		
Owners of the parent	$22,206	$33,754
Non-controlling interest	(2,809)	—
Profit for the year (net income)	$19,397	$33,754

Cash Converters International’s total assets increased 24% from June 30, 2013 to June 30, 2014 and its net income attributable to the owners of the parent decreased 34% for the fiscal year ended June 30, 2014, in U.S. dollars.

Albemarle & Bond Holdings, PLC

Prior to its bankruptcy reorganization, Albemarle & Bond Holdings, PLC ("Albemarle & Bond") was primarily engaged in pawnbroking, retail jewelry sales, check cashing and lending in the United Kingdom.

Albemarle & Bond’s fiscal year ended three months prior to ours; therefore, we reported the income from this investment on a three month lag. When it was a publicly traded reporting company on the London Stock Exchange, Albemarle & Bond filed semi-annual financial reports for its fiscal periods ending December 31 and June 30. Due to the three month lag, income reported for our three month period ended December 31, 2013 represents our percentage interest in the results of Albemarle & Bond’s operations from July 1, 2013 to September 30, 2013.

In March 2014, Albemarle & Bond entered into bankruptcy reorganization in the United Kingdom, and on April 15, 2014 Albemarle & Bond announced that the majority of its business and assets had been sold. In fiscal 2014 and 2013 we recognized other-than-temporary impairments of $7.9 million ($5.4 million, net of taxes) and $42.5 million ($28.7 million, net of taxes) which brought our carrying value of this investment to zero during the quarter ended June 30, 2014.

Prior to the quarter ended March 31, 2014, we accounted for our investment in Albemarle & Bond using the equity method.

During the quarter ended December 31, 2013 our equity in Albemarle & Bond’s net loss was $1.2 million. We received no dividends from Albemarle & Bond during the quarter ended December 31, 2013.

Fair Value Measurements

The fair value for Cash Converters International as of December 31, 2014 and 2013 and September 30, 2014 was considered a Level 1 estimate within the fair value hierarchy of FASB ASC 820-10-50, and was calculated as (a) the quoted stock price on

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the Australian Stock Exchange as of December 31, 2014 and 2013 and September 30, 2014 multiplied by (b) the number of shares we owned as of December 31, 2014 and 2013 and September 30, 2014 multiplied by (c) the applicable foreign currency exchange rate as of December 31, 2014 and 2013 and September 30, 2014. We included no control premium for owning a large percentage of outstanding shares.

There was no fair value attributable to Albemarle & Bond as of December 31, 2014 or September 30, 2014. The fair value for Albemarle & Bond as of each of those dates was considered a Level 2 estimate within the fair value hierarchy of FASB ASC 820-10-50. We calculated the fair value based on Albemarle & Bond's announcement of limited, if any, value available to the ordinary shares of its stock, which was considered to be an unobservable input insignificant to the overall determination of the Albemarle & Bond fair value.

The fair value for Albemarle & Bond as of December 31, 2013 was considered a Level 1 estimate within the fair value hierarchy of FASB ASC 820-10-50, and was calculated as (a) the quoted stock price on the London Stock Exchange multiplied by (b) the number of shares we owned multiplied by (c) the applicable foreign currency exchange rate at the date indicated. We included no control premium for owning a large percentage of outstanding shares.

The table below summarizes the carrying amount and fair value of each of these strategic investments as of the dates indicated:

	December 31,		September 30,
	2014	2013	2014
	(in thousands of U.S. dollars)		
Cash Converters International:			
Recorded value	$99,219	$89,522	$91,781
Fair value	123,932	117,778	128,956
Albemarle & Bond:			
Recorded value	$—	$7,902	$—
Fair value	—	4,871	—

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NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS

The following table presents the balance of goodwill and each major class of intangible assets as of the specified dates:

	December 31, 2014 As Restated (See Note 2)	December 31, 2013	September 30, 2014
	(in thousands)		
Goodwill	$337,498	$434,835	$346,577
Indefinite-lived intangible assets, net:			
Pawn licenses	$8,836	$8,836	$8,836
Trade names	6,811	8,230	6,990
Domain name	13	215	13
Total indefinite-lived intangible assets, net	$15,660	$17,281	$15,839
Definite-lived intangible assets, net:			
Real estate finders' fees	$715	$893	$787
Non-compete agreements	354	563	391
Favorable lease	494	590	517
Franchise rights	1,158	1,322	1,222
Contractual relationship	11,733	15,002	13,222
Internally developed software	19,209	23,787	18,759
Deferred financing costs	12,554	7,087	15,143
Other	200	224	206
Total definite-lived intangible assets, net	$46,417	$49,468	$50,247
Intangible assets, net	$62,077	$66,749	$66,086

The following tables present the changes in the carrying value of goodwill over the periods presented:

	U.S. & Canada	Latin America	Other International	Consolidated
	(in thousands)			
Balances as of September 30, 2014	$239,179	$107,398	$—	$346,577
Effect of foreign currency translation changes	—	(9,079)	—	(9,079)
Balances as of December 31, 2014	$239,179	$98,319	$—	$337,498

	U.S. & Canada	Latin America	Other International	Consolidated
	(in thousands)			
Balances as of September 30, 2013	$283,199	$110,209	$39,892	$433,300
Effect of foreign currency translation changes	—	673	862	1,535
Balances as of December 31, 2013	$283,199	$110,882	$40,754	$434,835

In accordance with ASC 350-20-35, Goodwill — Subsequent Measurement, we test goodwill and intangible assets with an indefinite useful life for potential impairment annually, or more frequently when there are events or circumstances that indicate that it is more likely than not that an impairment exists. During the quarter ended December 31, 2014, we evaluated such events and circumstances and concluded that it was not "more likely than not" that a goodwill or intangible assets impairment existed. We will continue to monitor if an interim triggering event is present in subsequent periods, and we will perform our required annual impairment test in the fourth quarter of our fiscal year.

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The amortization of most definite-lived intangible assets is recorded as amortization expense. The favorable lease asset and other intangibles are amortized to operations expense (rent expense) over the related lease terms. The deferred financing costs are amortized to interest expense over the life of the related debt instruments.
The following table presents the amount and classification of amortization recognized as expense in each of the periods presented:

	Three Months Ended December 31,	
	2014	2013
	(in thousands)	
Amortization expense in continuing operations	$1,457	$1,365
Amortization expense in discontinued operations	—	575
Operations expense	26	30
Interest expense	1,633	890
Total expense from the amortization of definite-lived intangible assets	$3,116	$2,860

The following table presents our estimate of the amount and classification of future amortization expense for definite-lived intangible assets:

Fiscal Years Ended September 30,	Amortization expense	Operations expense	Interest expense
	As Restated (See Note 2)		
	(in thousands)		
2015	$4,642	$ 80	$3,189
2016	6,056	106	3,077
2017	5,822	106	2,515
2018	4,854	106	2,435
2019	4,123	78	1,338

As acquisitions and dispositions occur in the future, amortization expense may vary from these estimates.

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NOTE 7: LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

The following table presents our long-term debt instruments and balances under capital lease obligations outstanding as of December 31, 2014 and 2013 and September 30, 2014. The non-recourse debt matures at various months in the years so indicated in the table below:

	December 31, 2014		December 31, 2013		September 30, 2014	
	Carrying Amount	Debt (Discount) Premium	Carrying Amount	Debt Premium	Carrying Amount	Debt (Discount) Premium
	As Restated (See Note 2)					
	(in thousands)					
Recourse to EZCORP:						
Domestic line of credit up to $200 million due 2015	$—	$—	$146,500	$—	$—	$—
2.125% cash convertible senior notes due 2019	187,727	(42,273)	—	—	185,693	(44,307)
Cash convertible senior notes due 2019 embedded derivative	45,163	—	—	—	36,994	—
Capital lease obligations	258	—	786	—	418	—
Non-recourse to EZCORP:						
Secured foreign currency debt up to $3 million due 2014	—	—	871	76	63	3
Secured foreign currency debt up to $9 million due 2014	—	—	—	—	86	—
Secured foreign currency debt up to $19 million due 2015	—	—	4,138	—	—	—
Secured foreign currency debt up to $5 million due 2016	—	—	4,867	—	—	—
Secured foreign currency debt up to $9 million due 2016	3,431	—	—	—	4,796	—
Secured foreign currency debt up to $23 million due 2017	20,360	—	22,962	—	22,240	—
Consumer loans facility due 2017	—	—	32,147	—	—	—
Consumer loans facility due 2019	49,475	—	—	—	54,045	—
10% unsecured notes due 2014	—	—	7,703	—	1,158	—
11% unsecured notes due 2014	—	—	110	—	—	—
9% unsecured notes due 2015	12,504	—	16,546	—	29,875	—
10% unsecured notes due 2015	1,632	—	420	—	943	—
11% unsecured notes due 2015	4,483	—	—	—	4,897	—
10% unsecured notes due 2016	108	—	121	—	118	—
12% unsecured notes due 2019	—	—	11,481	—	—	—
12% secured notes due 2016	3,507	114	—	—	3,881	174
12% secured notes due 2017	—	—	4,160	333	—	—
12% secured notes due 2020	20,428	—	—	—	22,314	—
17% secured notes due 2015 consolidated from VIEs	1,768	—	8,392	—	3,207	—
15% secured notes due 2016 consolidated from VIEs	8,486	—	9,950	—	9,638	—
11% secured notes due 2017 consolidated from VIEs	74,624	—	—	—	14,982	—

11% secured notes due 2017 consolidated from VIEs	11,917	—	—	—	13,590	—
15% secured notes due 2017 consolidated from VIEs	16,373	—	—	—	19,645	—
Total	462,244	(42,159)	271,154	409	428,583	(44,130)
Less current portion	75,090	114	24,049	280	36,529	177
Total long-term debt and capital lease obligations	$387,154	$ (42,273)	$247,105	$129	$392,054	$ (44,307)

Domestic Line of Credit up to $200 Million Due 2015

On May 10, 2011, we entered into a senior secured credit agreement with a syndicate of five banks. The credit agreement provided for a four year $175 million revolving credit facility that we could, under the terms of the agreement, request to be increased to a total of $225 million. On May 31, 2013, we amended the senior secured credit agreement to increase our revolving credit facility from $175 million to $200 million. We used approximately $119.4 million of net proceeds from the 2.125% cash convertible senior notes due 2019, as described below, to repay all outstanding borrowings under the senior secured credit agreement and terminated that agreement in June 2014.

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2.125% Cash Convertible Senior Notes Due 2019

In June 2014, we issued $200.0 million aggregate principal amount of 2.125% cash convertible senior notes due 2019 (the “Convertible Notes”). We granted the initial purchasers the option to purchase up to an additional $30.0 million aggregate principal amount of Convertible Notes. Such option was exercised in full on June 27, 2014, and we issued an additional $30.0 million principal amount of Convertible Notes on July 2, 2014. All of the Convertible Notes were issued pursuant to an indenture dated June 23, 2014 (the "Indenture") by and between us and Wells Fargo Bank, National Association, as the trustee. The Convertible Notes were issued in a private offering under Rule 144A under the Securities Act of 1933. The Convertible Notes pay interest semi-annually in arrears at a rate of 2.125% per annum on June 15 and December 15 of each year, commencing on December 15, 2014, and will mature on June 15, 2019 (the "Maturity Date").

Prior to December 15, 2018, the Convertible Notes will be convertible only upon the occurrence of certain events and during certain periods, and thereafter, at any time prior to the close of business on the second scheduled trading day immediately preceding the Maturity Date, as described below. At maturity, the holders of the Convertible Notes will be entitled to receive cash equal to the principal amount of the Convertible Notes plus unpaid accrued interest.

The Convertible Notes are unsubordinated unsecured obligations and rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment with all of our other unsecured unsubordinated indebtedness; and effectively junior to all debt or other obligations (including trade payables) of our wholly-owned subsidiaries. The Indenture governing the Convertible Notes does not contain any financial covenants.

We incurred transaction costs of approximately $9.9 million related to the issuance of the Convertible Notes, which we recorded as deferred financing costs included under “Intangible assets, net” in our condensed consolidated balance sheets. Deferred financing costs are being amortized to interest expense using the effective interest method over the expected term of the Convertible Notes.

Under the terms of our Convertible Notes, payment of dividends requires a conversion rate adjustment equal to the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such dividend multiplied by the last reported sale price of the Class A Non-voting Common Stock (“Class A Common Stock”) on the trading day immediately preceding the ex-dividend date for such dividend, divided by the difference between the last reported sale price of the Class A Common Stock on the trading day immediately preceding the ex-dividend date for such dividend and the amount in cash per share we distribute to all or substantially all holders of Class A Common Stock. Should we pay dividends in the future, our certificate of incorporation provides that cash dividends on common stock, when declared, must be declared and paid at the same per share amounts on both classes of stock. Any future determination to pay cash dividends will be at the discretion of our Board of Directors.

Convertible Notes Embedded Derivative

We account for the cash conversion feature of the Convertible Notes as a separate derivative instrument (the “Convertible Notes Embedded Derivative”), which had a fair value of $46.5 million on the issuance date that was recognized as the original issue discount of the Convertible Notes. This original issue discount is being amortized to interest expense over the term of the Convertible Notes using the effective interest method. As of December 31, 2014 and September 30, 2014, the Convertible Notes Embedded Derivative is recorded as a non-current liability under "Long-term debt, less current maturities" in our condensed consolidated balance sheets, and will be marked to market in subsequent reporting periods. The classification of the Convertible Notes Embedded Derivative liability as current or non-current on the condensed consolidated balance sheets corresponds with the classification of the net balance of the Convertible Notes as discussed below.

The Convertible Notes are convertible into cash, subject to satisfaction of certain conditions and during the periods described below, based on an initial conversion rate of 62.2471 shares of Class A Common Stock per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $16.065 per share of our Class A Common Stock). Upon conversion of a note, we will pay cash based on a daily conversion value calculated on a proportionate basis for each trading day in the applicable 80 trading day observation period as described in the Indenture. The conversion rate will not be adjusted for any accrued and unpaid interest.

Holders may surrender their Convertible Notes for conversion into cash prior to December 15, 2018 only under the following circumstances (the “Early Conversion Conditions”): (1) during any fiscal quarter commencing after the fiscal quarter ending on September 30, 2014 (and only during such fiscal quarter), if the last reported sale price of our Class A Common Stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price, as defined in the Indenture, per $1,000 principal amount of notes for each trading day of the measurement

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period was less than 98% of the product of the last reported sale price of our Class A Common Stock and the conversion rate on such trading day; or (3) upon the occurrence of specified corporate events, as defined in the Indenture. On or after December 15, 2018 until the close of business on the second scheduled trading day immediately preceding the Maturity Date, holders may convert their notes into cash at any time, regardless of the foregoing circumstances.

If a holder elects to convert its Convertible Notes in connection with certain make-whole fundamental changes, as that term is defined in the Indenture, that occur prior to the Maturity Date, we will in certain circumstances increase the conversion rate for Convertible Notes converted in connection with such make-whole fundamental changes by a specified number of shares of Class A Common Stock. In addition, the conversion rate is subject to customary anti-dilution adjustments (for example, certain dividend distributions or tender or exchange offer of our Class A Common Stock).

Upon the occurrence of a fundamental change, as defined in the Indenture, holders may require us to repurchase for cash all or any portion of the then outstanding Convertible Notes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest.

Impact of Early Conversion Conditions on Financial Statements

As of December 31, 2014, the Convertible Notes were not convertible because the Early Conversion Conditions described above had not been met. Accordingly, the net balance of the Convertible Notes of $187.7 million is classified as a non-current liability in our condensed consolidated balance sheets as of December 31, 2014. The classification of the Convertible Notes as current or non-current in the condensed consolidated balance sheets is evaluated at each balance sheet date and may change from time to time depending on whether any of the Early Conversion Conditions has been met.

If any of the Early Conversion Conditions is met in any future fiscal quarter, we would classify our net liability under the Convertible Notes as a current liability in the condensed consolidated balance sheets as of the end of that fiscal quarter. If none of the Early Conversion Conditions have been met in a future fiscal quarter prior to the one year period immediately preceding the Maturity Date, we would classify our net liability under the Convertible Notes as a non-current liability in the condensed consolidated balance sheets as of the end of that fiscal quarter. If the note holders elect to convert their Convertible Notes prior to maturity, any unamortized discount and transaction costs will be expensed at the time of conversion. If the entire outstanding principal amount had been converted on December 31, 2014, we would have recorded an expense of $50.2 million associated with the conversion, comprised of $42.3 million of unamortized debt discount and $7.9 million of unamortized debt issuance costs. As of December 31, 2014, none of the note holders had elected to convert their Convertible Notes.

Convertible Notes Hedges

In connection with the issuance of the Convertible Notes, we purchased cash-settled call options (the “Convertible Notes Hedges”) in privately negotiated transactions with certain of the initial purchasers or their affiliates (in this capacity, the “Option Counterparties”). The Convertible Notes Hedges provide us with the option to acquire, on a net settlement basis, approximately 14.3 million shares of our Class A Common Stock at a strike price of $16.065, which is equal to the number of shares of our Class A Common Stock that notionally underlie the Convertible Notes and corresponds to the conversion price of the Convertible Notes. The Convertible Notes Hedges have an expiration date that is the same as the Maturity Date of the Convertible Notes, subject to earlier exercise. The Convertible Notes Hedges have customary anti-dilution provisions similar to the Convertible Notes. If we exercise the Convertible Notes Hedges, the aggregate amount of cash we will receive from the option counterparties to the Convertible Notes Hedges will cover the aggregate amount of cash that we would be required to pay to the holders of the converted Convertible Notes, less the principal amount thereof. As of December 31, 2014, we have not purchased any shares under the Convertible Notes Hedges.

The aggregate cost of the Convertible Notes Hedges was $46.5 million (or $21.3 million net of the total proceeds from the Warrants sold, as discussed below). The Convertible Notes Hedges are accounted for as a derivative asset and are recorded in the condensed consolidated balance sheets at their estimated fair value under "Other assets, net." The fair value of the Convertible Notes Hedges was $45.2 million as of December 31, 2014. The Convertible Notes Embedded Derivative liability and the Convertible Notes Hedges asset will be adjusted to fair value each reporting period and unrealized gains and losses will be reflected in the condensed consolidated statements of operations. The Convertible Notes Embedded Derivative and the Convertible Notes Hedges are designed to have similar fair values. Accordingly, the changes in the fair values of these instruments are expected to offset and not have a net impact on the condensed consolidated statements of operations.

The classification of the Convertible Notes Hedges asset as current or long-term on the condensed consolidated balance sheets corresponds with the classification of the Convertible Notes, which is evaluated at each balance sheet date and may change from time to time depending on whether any of the Early Conversion Conditions has been met.

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Convertible Notes Warrants

In connection with the issuance of the Convertible Notes, we also sold net-share-settled warrants (the "Warrants") in privately negotiated transactions with the Option Counterparties for the purchase of up to approximately 14.3 million shares of our Class A Common Stock at a strike price of $20.83 per share, for total proceeds of $25.1 million, net of issuance costs, which was recorded as an increase in stockholders' equity. The Warrants have customary anti-dilution provisions similar to the Convertible Notes. As a result of the Warrants, we will experience dilution to our diluted earnings per share if our average closing stock price exceeds $20.83 for any fiscal quarter. The Warrants expire on various dates from September 2019 through February 2020 and must be settled in net shares of our Class A Common Stock. Therefore, upon expiration of the Warrants, we will issue shares of Class A Common Stock to the purchasers of the Warrants that represent the value by which the price of the Class A Common Stock exceeds the strike price stipulated within the particular warrant agreement. As of December 31, 2014, there were 14.3 million warrants outstanding.

Convertible Notes Interest Expense

Total interest expense attributable to the Convertible Notes for the quarter ended December 31, 2014 was $3.3 million, comprised of contractual interest expense and debt discount amortization of $1.3 million and $2.0 million, respectively. The effective interest rate for the first quarter ended December 31, 2014 was approximately 7%.

As of December 31, 2014, the remaining unamortized issuance discount will be amortized over the next four years assuming no early conversion.

Non-Recourse Debt to EZCORP

On January 30, 2012, we acquired a 60% ownership interest in Grupo Finmart. On June 30, 2014, we acquired an additional 16% of the ordinary shares outstanding of Grupo Finmart, increasing our ownership percentage from 60% to 76%. Non-recourse debt amounts in the table previously presented represent Grupo Finmart's third party debt. All unsecured notes are collateralized with Grupo Finmart's assets. All foreign currency debt is guaranteed by Grupo Finmart's loan portfolio or collateralized cash at Grupo Finmart's option. As of December 31, 2014, Grupo Finmart's foreign currency debt was guaranteed by consumer loans totaling $43.8 million, included under "Consumer loans, net" and "Non-current consumer loans, net" in our condensed consolidated balance sheets, and collateralized cash totaling $56.7 million, included under "Restricted cash" and "Restricted cash, non-current" in our condensed consolidated balance sheets.

Interest on secured foreign currency debt due 2016 is charged at the Mexican Interbank Equilibrium ("TIIE") plus a margin of 5%, or a total of 8.2% as of December 31, 2014. The 12% secured notes due 2016 and secured foreign currency debt due 2016 each require monthly payments of $0.1 million with the remaining principal due at maturity. The secured foreign currency debt due in 2017 has a 14.5% interest rate and requires monthly payments of $1.7 million, beginning May 2016, with the remaining principal due at maturity. The 12% secured notes due in 2020 require monthly payments of $1.1 million, beginning December 2018, with the remaining principal due at maturity. Amounts due are in Mexican Pesos and are revalued each reporting period.

Consumer Loans Facility Due 2017

On July 10, 2012, Grupo Finmart entered into a securitization transaction to transfer the collection rights of certain eligible consumer loans to a bankruptcy remote trust in exchange for cash on a non-recourse basis. On February 17, 2014, Grupo Finmart repaid this facility. In connection with this repayment, we wrote off the deferred financing costs related to this facility.

Consumer Loans Facility Due 2019

On February 17, 2014, Grupo Finmart entered into a new securitization transaction to transfer collection rights of certain eligible consumer loans to a bankruptcy remote trust in exchange for cash. The trust received financing as a result of the issuance of debt securities and delivered the proceeds of the financing to Grupo Finmart. The unrestricted cash received from this borrowing in the amount of $31.3 million was primarily used to repay the previous securitization borrowing facility due in 2017 and the transaction costs associated with this transaction. The cash proceeds of approximately $18.2 million are restricted primarily for $15.8 million of collection rights on the additional eligible loans from Grupo Finmart, which Grupo Finmart expects to deliver to the trust within the next 12 months, and $2.4 million of interest and trust maintenance costs to be recovered at repayment. The restricted cash proceeds of $15.8 million are recourse to Grupo Finmart unless additional eligible loans are delivered within the two year period specified in the agreement. The borrowing facility has a two year lending period, ending February 17, 2016, and fully and matures on March 19, 2019. Upon the termination of the lending period, Grupo Finmart has an option to start prepaying the principal early from the collection received by the trust. Grupo Finmart will continue to service the underlying loans in the trust.

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Deferred financing costs related to the consumer loans facility due 2019 totaling approximately $2.5 million are included under “Intangible assets, net” in our condensed consolidated balance sheets and are being amortized to interest expense over the term of the agreement.

Grupo Finmart is the primary beneficiary of the securitization trust because Grupo Finmart has the power to direct the most significant activities of the trust through its role as servicer of all the receivables held by the trust and through its obligation to absorb losses or receive benefits that could potentially be significant to the trust. Consequently, we consolidate the trust.

Interest on the consumer loans facility due 2019 is charged at TIIE plus a margin of 2.5%, or a total of 5.8% as of December 31, 2014.

9% Unsecured Notes Due 2015

On May 15, 2013, Grupo Finmart issued and sold $30.0 million of 9% global registered notes due November 16, 2015. Notes with an aggregate principal amount of $14.0 million were originally purchased by EZCORP and, therefore, eliminated in consolidation in prior periods. On March 31, 2014, EZCORP sold its outstanding notes in the amount of $11.7 million to an outside party, thereby increasing the total consolidated notes balance. Grupo Finmart used a portion of the net proceeds of the offering to repay existing indebtedness and the remaining portion for general operating purposes. In December 2014, Grupo Finmart repaid $17.5 million of these outstanding notes.

Secured Notes Consolidated from VIEs

During the year ended September 30, 2014, Grupo Finmart entered into three separate agreements with third party investors and variable interest entities (“VIEs”) to securitize selected loans providing asset backed financing for operations. The VIEs issued promissory notes to the third party first beneficiaries of the VIEs. The VIEs are referred to as VIE C, VIE B and VIE A. The debt described below is collateralized by all of the assets of the VIEs as presented in footnote 1 to our interim condensed consolidated balance sheets. See discussion of the VIEs in Note 17.

In October 2013, VIE C issued $9.3 million of 17% Notes due May 2015 and $10.0 million of 15% Notes due October 2016 to the first beneficiary of VIE C. The debt was collateralized with the principal and interest collected from loan portfolios of VIE C. The 17% Notes due May 2015 and the 15% Notes due October 2016 require monthly payments of approximately $0.4 million, each, comprised of interest and principal.

In March 2014, VIE B issued $16.0 million of 11% Notes due April 2017 to the first beneficiary of VIE B. In June 2014, VIE B issued $16.5 million of 11% Notes due July 2017 to the first beneficiary of VIE B. The debt was collateralized with the principal and interest collected from loan portfolios of VIE B. The 11% Notes due April 2017 and the 11% Notes due July 2017 require monthly payments of approximately $0.2 million, each, comprised of interest and principal.

In June 2014, VIE A issued $21.8 million of 14.5% Notes due October 2017 to the first beneficiary of VIE A. The debt was collateralized with the principal and interest collected from loan portfolios of VIE A. The 14.5% Notes due October 2017 require monthly payments of approximately $0.3 million, comprised of interest and principal.

In October 2014, VIE B issued $43.8 million of 11.0% Notes due October 2017 to the first beneficiary of VIE B. The debt was collateralized with the principal and interest collected from loan portfolios of VIE B. The 11% Notes due October 2017 require monthly payments of approximately $0.6 million, comprised of interest and principal.

In December 2014, VIE B issued $21.9 million of 11% Notes due December 2017. The debt was collateralized with the principal and interest collected from loan portfolios of VIE B. The 11% Notes due December 2017 require monthly payments of $0.3 million, comprised of interest and principal.

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NOTE 8: STOCK COMPENSATION

Our net income includes the following compensation costs related to our stock compensation arrangements:

	Three Months Ended December 31,	
	2014 As Restated (See Note 2)	2013
	(in thousands)	
Gross compensation (benefits) costs	$(2,458)	$1,207
Income tax benefits	(1,034)	(425)
Net compensation (benefit) expense	$(3,492)	$782

NOTE 9: REDEEMABLE NONCONTROLLING INTEREST

The following table provides a summary of the activities in our redeemable noncontrolling interest during the quarters ended December 31, 2014 and 2013:

	Redeemable Noncontrolling Interest (in thousands)
Balance as of September 30, 2013	$47,297
Net loss attributable to redeemable noncontrolling interest	(1,796)
Foreign currency translation adjustment attributable to redeemable noncontrolling interest	324
Balance as of December 31, 2013	$45,825
Balance as of September 30, 2014	$22,800
Net loss attributable to redeemable noncontrolling interest (As Restated, See Note 2)	(1,934)
Foreign currency translation adjustment attributable to redeemable noncontrolling interest (As Restated, See Note 2)	(2,402)
Amounts reclassified from accumulated other comprehensive loss	86
Balance as of December 31, 2014 (As Restated, See Note 2)	$18,550

NOTE 10: INCOME TAXES

Income tax expense is provided at the U.S. tax rate on financial statement earnings, adjusted for the difference between the U.S. tax rate and the rate of tax in effect for non-U.S. earnings deemed to be permanently reinvested in our non-U.S. operations. Deferred income taxes have not been provided for the potential remittance of non-U.S. undistributed earnings to the extent those earnings are deemed to be permanently reinvested, or to the extent such recognition would result in a deferred tax asset.

The current quarter's effective tax provision rate from continuing operations is 29% of pre-tax income compared to 20% for the prior-year quarter. The effective tax rate for the quarter ended December 31, 2014 was higher primarily due to the elimination of the tax rate differential on discontinued foreign operations, a reduction of costs paid to offshore affiliates and lower non-U.S. undistributed earnings.

NOTE 11: CONTINGENCIES

We are involved in various claims, suits, investigations and legal proceedings, including those described below. We are unable to determine the ultimate outcome of any current litigation or regulatory actions. An unfavorable outcome could have a material adverse effect on our financial condition, results of operations or liquidity. We have not recorded a liability for any of these matters as of December 31, 2014 because we do not believe that any loss was probable or that the amount of any loss could be reasonably estimated at that time. For a description of additional federal securities litigation directly relating to the restatement of our financial statements described in the Explanatory Note immediately preceding Part I, see Note 18.

Shareholder derivative litigation — On July 28, 2014, Lawrence Treppel, a purported holder of Class A Non-voting Common Stock, filed a derivative action in the Court of Chancery of the State of Delaware styled Treppel v. Cohen, et al. (C.A. No. 9962-VCP). The complaint, as originally filed and as amended on September 23, 2014, names as defendants Phillip E. Cohen, the beneficial owner of all of our outstanding Class B Voting Common Stock; several current and former members of our Board of

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Directors (Joseph J. Beal, Sterling B. Brinkley, John Farrell, Pablo Lagos Espinosa, William C. Love, Thomas C. Roberts and Paul E. Rothamel); three entities controlled by Mr. Cohen (MS Pawn Limited Partnership, the record holder of our Class B Voting Common Stock; MS Pawn Corporation, the general partner of MS Pawn Limited Partnership; and Madison Park LLC); and EZCORP, Inc., as nominal defendant. The amended complaint asserts the following claims:

- Claims against the current and former Board members for breach of fiduciary duties and waste of corporate assets in connection with the Board's decision to enter into advisory services agreements with Madison Park from October 2004 to June 2014;
- Claims against Mr. Cohen and MS Pawn Limited Partnership for aiding and abetting the breaches of fiduciary duties relating to the advisory services agreements with Madison Park; and
- Claims against Mr. Cohen and Madison Park for unjust enrichment for payments under the advisory services agreements.

The plaintiff seeks (a) a recovery for the Company in the amount of the damages the Company has sustained as a result of the alleged breach of fiduciary duties, waste of corporate assets and aiding and abetting, (b) disgorgement by Mr. Cohen and Madison Park of the benefits they received as a result of the related party transactions and (c) reimbursement of costs and expenses, including reasonable attorney's fees.

On October 13, 2014, motions to dismiss were filed on behalf of each defendant. The defendants filed their opening briefs in support of the motions to dismiss on November 12, 2014, and the plaintiff filed his response brief on January 9, 2015. The defendants' reply briefs are expected to be filed by early February 2015. On November 13, 2014, pursuant to the parties' stipulation, the court dismissed the action as to Mr. Brinkley, Mr. Rothamel and Mr. Lagos.

We intend to continue to defend vigorously against the claims asserted in this lawsuit. Although the lawsuit does not seek relief against the Company, we have certain indemnification obligations to the other defendants (including Madison Park and Mr. Cohen), which obligations include the payment of attorney's fees in advance of the outcome. We cannot predict the outcome of this lawsuit, or the amount of time and expense that will be required to resolve it.

Federal securities litigation — On August 22, 2014, Jason Close, a purported holder of Class A Non-voting Common Stock, for himself and on behalf of other similarly situated holders of Class A Non-voting Common Stock, filed a lawsuit in the United States District Court for the Southern District of New York styled Close v. EZCORP, Inc., et al. (Case No. 1:14-cv-06834-ALC). The complaint names as defendants EZCORP, Inc., Paul E. Rothamel (our former chief executive officer) and Mark Kuchenrither (our president and chief operating officer and current chief financial officer) and asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. In general, the complaint alleges that the implementation of certain strategic and growth initiatives were less successful than represented by the defendants, that certain of the Company's business units and investments were not performing as well as represented by the defendants and that, as a result, the defendants' disclosures and statements about the Company's business and operations were materially false and misleading at all relevant times.

On October 17, 2014, the Automotive Machinists Pension Plan, also purporting to be the holder of Class A Non-voting Common Stock and acting for itself and on behalf of other similarly situated holders of Class A Non-voting Common Stock, filed a lawsuit in the United Stated District Court for the Southern District of New York styled Automotive Machinists Pension Plan v. EZCORP, Inc., et al (Case No. 1:14-cv-8349-ALC). The complaint names EZCORP, Inc., Mr. Rothamel and Mr. Kuchenrither as defendants, but also names Mr. Cohen and MS Pawn Limited Partnership. The complaint likewise asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as well as Rule 10b-5 promulgated thereunder, alleging generally that (1) EZCORP and the officer defendants (Mr. Rothamel and Mr. Kuchenrither) issued false and misleading statements and omissions concerning the business and prospects, and compliance history, of the Company's online lending operations in the U.K. and the nature of the Company's consulting relationship with entities owned by Mr. Cohen and the process the Board of Directors used in agreeing to it, and (2) Mr. Cohen and MS Pawn Limited Partnership, as controlling persons of EZCORP, participated in the preparation and dissemination of the Company's disclosures and controlled the Company's business strategy and activities.

On October 21, 2014, the plaintiff in the Automotive Machinists Pension Plan action filed a motion to consolidate the Close action and the Automotive Machinists Pension Plan action and to appoint the Automotive Machinists Pension

Plan as the lead plaintiff. On November 18, 2014, the court consolidated the lawsuits under the caption In Re EZCORP, Inc. Securities Litigation (Case No. 1:14-cv-06834-ALC), and, on January 26, 2015, appointed the lead plaintiff and lead counsel.

The consolidated case is at a very early procedural stage. We cannot predict the outcome of the litigation, but we intend to defend vigorously against all allegations and claims.

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SEC Investigation — On October 23, 2014, we received a notice from the Fort Worth Regional Office of the SEC that it was conducting an investigation into certain matters involving EZCORP, Inc. The notice was accompanied by a subpoena, directing us to produce a variety of documents, including all minutes and materials related to Board of Directors and Board committee meetings since January 1, 2009 and all documents and communications relating to our historical advisory services relationship with Madison Park (the business advisory firm owned by Mr. Cohen) and LPG Limited (a business advisory firm owned by Lachlan P. Given, currently our Executive Chairman and a member of our Board of Directors). The SEC has also issued subpoenas to current and former members of our Board of Directors requesting production of similar documents. We have provided a number of documents in response to the subpoenas and are cooperating fully with the SEC in its investigation.

NOTE 12: OPERATING SEGMENT INFORMATION

Segment information is prepared on the same basis that our chief operating decision maker reviews financial information for operational decision-making purposes.

We currently report our segments as follows:

- U.S. & Canada — All business activities in the United States and Canada
- Latin America — All business activities in Mexico and other parts of Latin America
- Other International — Our equity interest in the net income of Cash Converters International

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There are no inter-segment revenues, and the amounts below were determined in accordance with the same accounting principles used in our condensed consolidated financial statements. The following tables present operating segment information for the quarters ended December 31, 2014 and 2013, including reclassifications discussed in Note 1, effects of the restatement discussed in Note 2 and adjustments to reflect reclassification of all discontinued operations discussed in Note 3.

	Three Months Ended December 31, 2014					
	U.S. & Canada	Latin America	Other International	Total Segments	Corporate Items	Consolidated
	As Restated (See Note 2)					
	(in thousands)					
Revenues:						
Merchandise sales	$90,059	$19,580	$—	$109,639	$—	$ 109,639
Jewelry scrapping sales	17,127	1,407	—	18,534	—	18,534
Pawn service charges	57,035	7,892	—	64,927	—	64,927
Consumer loan fees and interest	42,532	16,315	—	58,847	—	58,847
Other revenues	575	296	—	871	—	871
Total revenues	207,328	45,490	—	252,818	—	252,818
Merchandise cost of goods sold	58,994	13,484	—	72,478	—	72,478
Jewelry scrapping cost of goods sold	13,414	1,261	—	14,675	—	14,675
Consumer loan bad debt	14,310	7,740	—	22,050	—	22,050
Net revenues	120,610	23,005	—	143,615	—	143,615
Operating expenses (income):						
Operations	84,763	18,931	—	103,694	—	103,694
Administrative	—	—	—	—	8,352	8,352
Depreciation	4,400	1,391	—	5,791	1,782	7,573
Amortization	71	419	—	490	967	1,457
Loss on sale or disposal of assets	3	256	—	259	—	259
Interest expense	8	8,282	—	8,290	3,744	12,034
Interest income	(17)	(481)	—	(498)	(34)	(532)
Equity in net income of unconsolidated affiliates	—	—	(2,194)	(2,194)	—	(2,194)
Other expense	3	612	—	615	144	759
Segment contribution (loss)	$31,379	$(6,405)	$ 2,194	$27,168		
Income (loss) from continuing operations before income taxes				$27,168	$(14,955)	$ 12,213

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	Three Months Ended December 31, 2013					
	U.S. & Canada	Latin America	Other International	Total Segments	Corporate Items	Consolidated
	(in thousands)					
Revenues:						
Merchandise sales	$88,890	$16,697	$—	$105,587	$—	$ 105,587
Jewelry scrapping sales	25,925	1,778	—	27,703	—	27,703
Pawn service charges	57,069	7,064	—	64,133	—	64,133
Consumer loan fees and interest	45,750	9,454	—	55,204	—	55,204
Other revenues	531	598	—	1,129	—	1,129
Total revenues	218,165	35,591	—	253,756	—	253,756
Merchandise cost of goods sold	53,600	10,541	—	64,141	—	64,141
Jewelry scrapping cost of goods sold	18,570	1,450	—	20,020	—	20,020
Consumer loan bad debt	14,183	4,005	—	18,188	—	18,188
Net revenues	131,812	19,595	—	151,407	—	151,407
Operating expenses (income):						
Operations	86,567	18,794	—	105,361	—	105,361
Administrative	—	—	—	—	15,724	15,724
Depreciation	4,244	1,459	—	5,703	1,637	7,340
Amortization	103	617	—	720	645	1,365
(Gain) loss on sale or disposal of assets	(6,318)	6	—	(6,312)	22	(6,290)
Interest expense	5	3,841	—	3,846	1,205	5,051
Interest income	—	(173)	—	(173)	(24)	(197)
Equity in net income of unconsolidated affiliates	—	—	(1,271)	(1,271)	—	(1,271)
Other income	—	(30)	(29)	(59)	(109)	(168)
Segment contribution (loss)	$47,211	$(4,919)	$ 1,300	$43,592		
Income (loss) from continuing operations before income taxes				$43,592	$(19,100)	$ 24,492

NOTE 13: ALLOWANCE FOR LOSSES AND CREDIT QUALITY OF CONSUMER LOANS

We offer a variety of loan products and credit services to customers who do not have cash resources or access to credit to meet their cash needs. Our customers are considered to be in a higher risk pool with regard to creditworthiness when compared to those of typical financial institutions. As a result, our receivables do not have a credit risk profile that can easily be measured by the normal credit quality indicators used by the financial markets. We manage the risk through closely monitoring the performance of the portfolio and through our underwriting process. This process includes reviewing customer information, such as making a credit reporting agency inquiry, evaluating and verifying income sources and levels, verifying employment and verifying a telephone number where customers may be contacted. For auto title loans, we also inspect the automobile, title and reference to market values of used automobiles.

The accuracy of our allowance estimates is dependent upon several factors, including our ability to predict future default rates based on historical trends and expected future events. We base our estimates on observable trends and various other assumptions that we believe to be reasonable under the circumstances. We review and analyze our loan portfolios based on aggregation of loans by type and duration of the loan products. Loan repayment trends and default rates are evaluated each month based on each loan portfolio and adjustments to loss allowance are made accordingly. A documented and systematic process is followed.

We consider consumer loans made at our storefronts to be in default if they have not been repaid or renewed by the maturity date. If one payment of a multiple-payment loan is delinquent, that one payment is considered in default. If more than one payment is delinquent at any time, the entire loan is considered in default. Although loans in default may be collected later, we charge the loan principal to consumer loan bad debt upon default, leaving only active loans in the reported balance. Accrued fees related to loans in default reduce fee revenue upon loan default, and increase fee revenue upon collection.

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Based on historical collection experience, the age of past-due loans and amounts we expect to receive through the sale of repossessed vehicles, we provide an allowance for losses on auto title loans.

Grupo Finmart customers obtain installment loans with a series of payments due over the stated loan term, which can be as long as four years. We recognize consumer loan interest related to loans we originate based on the percentage of consumer loans made that we believe to be collectible, and reserve the percentage of interest we expect not to collect, over the period in which payments are expected to be received under the effective interest method.

A number of circumstances cause delays in the receipt of payments on a Grupo Finmart loan. For example:

- It often takes 90 days or more for the employer to set up initial payroll withholding and begin remitting payments to Grupo Finmart (a process referred to as “ratification”).
- It is not unusual to have an interruption or delay in payments for a number of reasons, such as holidays, summer vacations, illness, convenio renewals, union permits and political elections.
- Many convenios limit the amount that can be withheld from a borrower’s paycheck, and if the borrower has multiple loans outstanding, the withheld amount is generally used to repay the loans in the order in which they were made.
- Some larger employers act as a consolidator and remitter on behalf of other smaller employers and the payment consolidation processes, or other issues with employer systems, sometimes cause interruptions in payments.

Incremental direct costs incurred (commissions), other than certain brokerage and other costs, are capitalized and deferred ratably over the life of the loans. Amortization of these costs are included in “Operations” expense in our consolidated statements of operations.

Loans to Grupo Finmart customers whose employment is continuing are referred to as “in-payroll” loans, while loans to Grupo Finmart customers whose employment is discontinued are referred to as “out-of-payroll” loans. A customer is generally considered to have discontinued their employment if they are no longer employed by the employer that is responsible for the payroll withholding. We establish reserves for Grupo Finmart loans as follows:

- We reserve 100% of non-performing loans, which for this purpose we consider to be:
  - Out-of-payroll loans for which Grupo Finmart is not receiving payments; and
  - In-payroll loans for which Group Finmart has not received any payments for 180 consecutive days.
- We also establish additional loan principal and accrued interest reserves for performing loans based on historical experience.

When we reserve 100% of a Grupo Finmart loan, we charge the loan principal to consumer loan bad debt expense, reduce interest revenue by the amount of unpaid interest theretofore accrued on the loan and cease accruing interest revenue. Future collections are recorded as a reduction of consumer loan bad debt expense (in the case of written-off principal) and an increase in consumer loan fee revenue (in the case of written-off accrued interest) after principal has been recovered. The $16.3 million and $31.4 million recorded investment in unsecured long-term loans at December 31, 2014 and 2013, respectively, that are greater than 90 days are related to customers that are in payroll.

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The following table presents changes in the allowance for credit losses, as well as the recorded investment in our financing receivables by portfolio segment for the periods presented:

Description	Allowance Balance at Beginning of Period	Charge-offs	Recoveries	Provision	Translation Adjustment	Allowance Balance at End of Period	Financing Receivable at End of Period
	As Restated (See Note 2) (in thousands)						
Unsecured short-term consumer loans:							
Three Months Ended December 31, 2014	$14,645	$(9,051)	$3,291	$4,996	$(513)	$13,368	$31,159
Three Months Ended December 31, 2013	2,928	(12,202)	4,195	7,915	12	2,848	22,870
Secured short-term consumer loans:							
Three Months Ended December 31, 2014	$1,049	$(14,437)	$12,989	$1,533	$ —	$1,134	$7,866
Three Months Ended December 31, 2013	1,804	(16,686)	15,182	2,032	—	2,332	11,386
Unsecured long-term consumer loans:							
Three Months Ended December 31, 2014	$38,087	$(167)	$—	$7,612	$(3,350)	$42,182	$157,368
Three Months Ended December 31, 2013	19,849	(71)	—	4,010	101	23,889	136,152

The provisions presented in the table above include only principal and exclude items such as non-sufficient funds fees, repossession fees, auction fees and interest. In addition, all credit service expenses and fees related to loans made by our unaffiliated lenders are excluded, as we do not own the loans made in connection with our credit services and they are not recorded as assets on our balance sheets. Expected losses on credit services are accrued and reported in "Accounts payable and other accrued expenses" in our condensed consolidated balance sheets. Recoveries of unsecured long-term consumer loans are nil due to the nature of the loans charged-off.

Auto title loans remain as recorded investments when in delinquent or nonaccrual status. We consider an auto title loan past due if it has not been repaid or renewed by the maturity date. Based on experience, we establish a reserve on all auto title loans. On auto title loans more than 90 days past due, we reserve the percentage we estimate will not be recoverable through auction and reserve 100% of loans for which we have not yet repossessed the underlying collateral. No fees are accrued on any auto title loans more than 90 days past due.

On November 29, 2013, Grupo Finmart acquired an unsecured long-term consumer loan portfolio, consisting of approximately 10,500 payroll withholding loans, for a total purchase price of approximately $15.9 million. Of the total purchase price, a minimum of $11.7 million will be paid, of which approximately $10.5 million was paid at closing, $0.6 million was paid on April 30, 2014, and $0.6 million will be paid by November 28, 2014. The total price includes deferred consideration of approximately $4.2 million, subject to the performance of the portfolio and payable over the next 12 months as stipulated in the purchase agreement, of which approximately $2.1 million was paid on April 30, 2014. The remaining deferred consideration will be paid by November 28, 2014. The fair value of the loan portfolio was $11.8 million as of the acquisition date.

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The following table presents an aging analysis of past due financing receivables by portfolio segment:

	Days Past Due				Total	Current	Translation	Total Financing	Allowance	Recorded Investment > 90 Days
	1-30	31-60	61-90	>90	Past Due	Receivable	Adjustment	Receivable	Balance	Accruing
	As Restated (See Note 2) (in thousands)									
Unsecured short-term consumer loans*:										
December 31, 2013	$66	$289	$81	$—	$436	$119	$—	$555	$267	$—
Secured short-term consumer loans:										
December 31, 2014	$1,844	$761	$543	$538	$3,686	$4,180	$—	$7,866	$1,134	$—
December 31, 2013	2,629	1,366	1,123	1,398	6,516	4,870	—	11,386	2,332	—
September 30, 2014	2,196	823	448	412	3,879	4,294	—	8,173	1,049	—
Unsecured long-term consumer loans:										
December 31, 2014										
Performing Loans	$5,068	$4,231	$1,740	$1,337	$12,376	$107,414	$1,387	$121,177	$5,989	$1,337
Non-Performing Loans	1,684	2,010	1,412	28,293	33,399	2,794	(2)	36,191	36,193	—
	$6,752	$6,241	$3,152	$29,630	$45,775	$110,208	$1,385	$157,368	$42,182	$1,337
December 31, 2013										
Performing Loans	$6,809	$1,931	$2,706	$1,817	$13,263	$100,851	$4,364	$118,478	$5,706	$1,817
Non-Performing Loans	719	516	465	14,812	16,512	1,670	(508)	17,674	18,183	—
	$7,528	$2,447	$3,171	$16,629	$29,775	$102,521	$3,856	$136,152	$23,889	$1,817
September 30, 2014										
Performing Loans	$4,942	$3,546	$2,035	$1,600	$12,123	$116,870	$2,230	$131,223	$6,450	$1,600
Non-Performing Loans	1,854	907	884	25,674	29,319	2,318	—	31,637	31,637	—
	$6,796	$4,453	$2,919	$27,274	$41,442	$119,188	$2,230	$162,860	$38,087	$1,600

* Unsecured short-term consumer loan amounts are included for the periods after the December 20, 2012 acquisition of Go Cash, and prior to our discontinuance of Go Cash operations as of September 30, 2014. As a result of our discontinuance of Go Cash, we wrote our unsecured short-term consumer loans down to net realized value, or a nominal amount, as of September 30, 2014.

NOTE 14: FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

In accordance with FASB ASC 820-10, Fair Value Measurements and Disclosures, our assets and liabilities which are carried at fair value are classified in one of the following three categories:

Level 1 — Quoted market prices in active markets for identical assets or liabilities

Level 2 — Other observable inputs other than quoted market prices
Level 3 — Unobservable inputs that are not corroborated by market data

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The tables below present our financial assets (liabilities) that are measured at fair value on a recurring basis as of December 31, 2014 and 2013, and September 30, 2014:

Financial assets (liabilities)	December 31, 2014	Fair Value Measurements Using Level 1	Level 2	Level 3
	As Restated (See Note 2)			
	(in thousands)			
Foreign currency forwards	$7,814	$—	$7,814	$—
Convertible notes hedges	45,163	—	45,163	—
Convertible notes embedded derivative	(45,163)	—	(45,163)	—
Contingent consideration	(3,440)	—	—	(3,440)
Net financial assets (liabilities)	$4,374	$—	$7,814	$(3,440)

Financial (liabilities) assets	December 31, 2013	Fair Value Measurements Using Level 1	Level 2	Level 3
	(in thousands)			
Marketable equity securities	$2,092	$2,092	$—	$—
Foreign currency forwards	1,952	—	1,952	—
Contingent consideration	(19,719)	—	—	(19,719)
Net financial (liabilities) assets	$(15,675)	$2,092	$1,952	$(19,719)

Financial (liabilities) assets	September 30, 2014	Fair Value Measurements Using Level 1	Level 2	Level 3
	(in thousands)			
Foreign currency forwards	$1,152	$—	$1,152	$—
Convertible notes hedges	36,994	—	36,994	—
Convertible notes embedded derivative	(36,994)	—	(36,994)	—
Contingent consideration	(3,758)	—	—	(3,758)
Net financial (liabilities) assets	$(2,606)	$—	$1,152	$(3,758)

We measure the value of our marketable equity securities under a Level 1 input. These assets are publicly traded equity securities for which market prices are readily available. Marketable equity securities are recorded in the condensed consolidated balance sheets under "Other assets, net." We sold all marketable equity securities during fiscal 2014.

Grupo Finmart measures the value of the forward contracts under Level 2 inputs. To measure the fair value of the forward contracts, Grupo Finmart used estimations of expected cash flows, appropriately risk-adjusted discount rates and available observable inputs (term of the forward, notional amount, discount rates based on local and foreign rate curves, and a credit value adjustment to consider the likelihood of nonperformance). Forward contracts are recorded in the condensed consolidated balance sheets under "Other assets, net" and "Deferred gains and other long-term liabilities."

The fair value of the Convertible Notes Hedges and the Convertible Notes Embedded Derivative are determined using an option pricing model based on observable Level 1 and Level 2 inputs such as implied volatility, risk free interest rate and other factors. The Convertible Notes Hedges are recorded in the condensed consolidated balance sheets under "Other assets, net." The Convertible Notes Embedded Derivative is recorded in the condensed consolidated balance sheets under "Long-term debt, less current maturities."

We used an income approach to measure the fair value of the contingent consideration using a probability-weighted discounted cash flow approach. The significant inputs used for the valuation are not observable in the market, and thus this fair value measurement represents a Level 3 measurement within the fair value hierarchy. Contingent consideration is recorded in the condensed consolidated balance sheets under "Other current liabilities" and "Deferred gains and other long-term liabilities." Significant increases or decreases in the underlying assumptions used to value the contingent consideration could significantly increases or decrease the fair value estimates recorded in the

condensed consolidated balance sheets.
There were no transfers in or out of Level 1 or Level 2 for financial assets or liabilities measured at fair value on a recurring basis during the periods presented.

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Financial Assets, Temporary Equity and Liabilities Not Measured at Fair Value

Our financial assets, temporary equity and liabilities as of December 31, 2014 and 2013, and September 30, 2014, that are not measured at fair value in our condensed consolidated balance sheets, are as follows:

	Carrying Value		Estimated Fair Value			
	December 31, 2014		December 31, 2014	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
	As Restated (See Note 2)					
	(in thousands)					
Financial assets:						
Cash and cash equivalents	$77,599		$77,599	$77,599	$—	$—
Restricted cash	60,218		60,218	60,218	—	—
Pawn loans	150,930		150,930	—	—	150,930
Consumer loans, net	61,347		61,936	—	—	61,936
Pawn service charges receivable, net	30,241		30,241	—	—	30,241
Consumer loan fees and interest receivable, net	13,199		13,199	—	—	13,199
Restricted cash, non-current	4,310		4,310	4,310	—	—
Non-current consumer loans, net	78,362		79,615	—	—	79,615
Total	$476,206		$478,048	$142,127	$—	$335,921
Temporary equity:						
Redeemable noncontrolling interest	$18,550		$44,771	$—	$—	$44,771
Financial liabilities:						
2.125% Cash convertible senior notes due 2019	$187,727		$185,461	$—	$185,461	$—
Foreign currency debt	23,791	*	23,952	—	23,952	—
Consumer loans facility due 2019	49,475		49,604	—	49,604	—
Foreign currency unsecured notes	18,727	*	18,787	—	18,787	—
Foreign currency secured notes	23,935	*	23,957	—	23,957	—
Secured notes consolidated from VIEs	113,168	*	111,523	—	111,523	—
Total	$416,823		$413,284	$—	$413,284	$—

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	Carrying Value		Estimated Fair Value			
	December 31, 2013		December 31, 2013	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
	(in thousands)					
Financial assets:						
Cash and cash equivalents	$32,689		$32,689	$32,689	$—	$—
Restricted cash	8,371		8,371	8,371	—	—
Pawn loans	153,421		153,421	—	—	153,421
Consumer loans, net	62,653		61,789	—	—	61,789
Pawn service charges receivable, net	30,842		30,842	—	—	30,842
Consumer loan fees and interest receivable, net	17,415		17,415	—	—	17,415
Restricted cash, non-current	4,189		4,189	4,189	—	—
Non-current consumer loans, net	78,686		79,302	—	—	79,302
Total	$388,266		$388,018	$45,249	$—	$342,769
Temporary equity:						
Redeemable noncontrolling interest	$45,825		$51,596	$—	$—	$51,596
Financial liabilities:						
Domestic line of credit	$146,500		$146,500	$—	$146,500	$—
Foreign currency debt	32,838	*	33,801	—	33,801	—
Consumer loans facility due 2017	32,147		32,225	32,225	—	—
Foreign currency unsecured notes	36,381	*	36,673	16,523	20,150	—
Foreign currency secured notes	4,160	*	4,001	—	4,001	—
Secured notes consolidated from VIEs	18,342	*	18,386	—	18,386	—
Total	$270,368		$271,586	$48,748	$222,838	$—

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	Carrying Value		Estimated Fair Value			
	September 30, 2014		September 30, 2014	Fair Value Measurement Using		
	(in thousands)			Level 1	Level 2	Level 3
Financial assets:						
Cash and cash equivalents	$55,325		$55,325	$55,325	$—	$—
Restricted cash	63,495		63,495	63,495	—	—
Pawn loans	162,444		162,444	—	—	162,444
Consumer loans, net	63,995		64,631	—	—	64,631
Pawn service charges receivable, net	31,044		31,044	—	—	31,044
Consumer loan fees and interest receivable, net	12,647		12,647	—	—	12,647
Restricted cash, non-current	5,070		5,070	5,070	—	—
Non-current consumer loans, net	85,004		86,364	—	—	86,364
Total	$479,024		$481,020	$123,890	$—	$357,130
Temporary equity:						
Redeemable noncontrolling interest	$22,800		$49,021	$—	$—	$49,021
Financial liabilities:						
2.125% Cash convertible senior notes due 2019	$185,693		$185,738	$—	$185,738	$—
Foreign currency debt	27,185	*	27,185	—	27,185	—
Consumer loans facility due 2019	54,045		54,178	54,178	—	—
Foreign currency unsecured notes	36,991	*	36,837	—	36,837	—
Foreign currency secured notes	26,195	*	26,144	—	26,144	—
Secured notes from consolidated VIEs	61,062	*	59,906	—	59,906	—
Total	$391,171		$389,988	$54,178	$335,810	$—

* Portions of these amounts are included under "Current maturities of long-term debt" and "Long-term debt, less current maturities" in our condensed consolidated balance sheets.

Cash and cash equivalents and restricted cash bear interest at market rates and have maturities of less than 90 days.

The maximum U.S. pawn loan term ranges between 30 and 120 days, consisting of the primary term and grace period. The maximum Mexico pawn loan term is 30 days, consisting of the primary term and grace period. Significant increases or decreases in the underlying assumptions used to value the pawn loans could significantly increase or decrease the fair value estimates disclosed above.

Consumer loans, including long-term unsecured consumer loans made by Grupo Finmart, are carried in the condensed consolidated balance sheets net of the allowance for estimated loan losses, which is based on recent loan default experience adjusted for seasonal variations. Consumer loans, other than those made by Grupo Finmart, have relatively short maturity periods that are generally less than 12 months; therefore, we estimate that their carrying value approximates fair value. Consumer loans made by Grupo Finmart have an average term of approximately 30 months. We estimated the fair value of the Grupo Finmart consumer loans by applying an income approach (the present value of future cash flows). Key assumptions include an annualized probability of default as well as a discount rate based on the funding rate plus the portfolio liquidity risk. Significant increases or decreases in the underlying assumptions used to value the consumer loans could significantly increase or decrease the fair value estimates disclosed above.

We record pawn service charges receivable using the interest method for all pawn loans we believe to be collectible. We base our estimate of collectible loans on several unobservable inputs, including recent redemption rates, historical trends in redemption rates and the amount of loans due in the following two months. Significant increases or decreases in the underlying assumptions used to value the pawn service charges receivable could significantly increase or decrease the fair value estimates disclosed above.

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Consumer loan fees and interest receivable are carried in the condensed consolidated balance sheets net of the allowance for uncollectible consumer loan fees and interest receivable, which is based on recent loan default experience adjusted for seasonal variations and collection percentages. Based on the short-term nature of these assets we estimate that their carrying value approximates fair value. Significant increases or decreases in the underlying assumptions used to value the consumer loan fees and interest receivable could significantly increase or decrease the fair value estimates disclosed above.

The fair value of the redeemable noncontrolling interest was estimated by applying an income approach. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Key assumptions include discount rates ranging from 5% to 10%, representing discounts for lack of control and lack of marketability that market participants would consider when estimating the fair value of the noncontrolling interest. Significant increases or decreases in the underlying assumptions used to value the redeemable noncontrolling interest could significantly increase or decrease the fair value estimates disclosed above.

We measure the fair value of our financial liabilities using an income approach. The total carrying value of the 2.125% cash convertible senior notes due 2019 and the embedded derivative as of December 31, 2014 is accreting to the $230.0 million redemption value using a discount rate of approximately 7%, which approximated the Company's incremental borrowing rate for a similar debt instrument (without the cash conversion feature) as of the date of issuance and thus represents a Level 2 measurement.

Fair value measurements for our domestic line of credit were calculated using discount rates based on an estimated senior secured spread plus term matched risk-free rates as of the valuation dates.

We utilize credit quality-related zero rate curves, quoted price and yield inputs for Mexican Pesos built by a price vendor authorized by the Comisión Nacional Bancaria y de Valores to determine the fair value measurements of the remaining financial liabilities that are classified as Level 2. For financial liability fair value measurements that are classified as Level 1, we utilize quoted price and yield inputs from Bloomberg and a price vendor authorized by the Comisión Nacional Bancaria y de Valores.

See Note 5 for discussion of the fair value of our investments in unconsolidated affiliates.

NOTE 15: DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Derivative Instruments Discontinued as Cash Flow Hedging Instruments

During the quarter ended June 30, 2013, Grupo Finmart completed a $30.0 million cross-border debt offering for which it has to pay interest on a semiannual basis at a fixed rate. Grupo Finmart uses derivative instruments (the "foreign currency forwards") to manage its exposure related to changes in the foreign currency exchange rate on this instrument through its maturity on November 16, 2015. Grupo Finmart does not enter into derivative instruments for any purpose other than cash flow hedging.

At the beginning of the quarter ended December 31, 2014, we discontinued hedge accounting for our foreign currency forwards due to a determination that repayment of the $30.0 million cross-border debt was to occur prior to maturity. As such, not all of the forecasted interest payments are expected to occur, resulting in the discontinuance of hedge accounting. Further, Grupo Finmart repaid $17.5 million of the outstanding cross-border debt and received proceeds of $2.3 million from settlement of the portion of the foreign currency forwards attributable to the repaid cross-border debt during the quarter ended December 31, 2014.

Whenever hedge accounting is discontinued and the derivative remains outstanding, we continue to carry the derivative at its fair value on our condensed consolidated balance sheets and recognize any gains and losses currently in accumulated other comprehensive income attributable to any repaid portion of the hedged item in addition to any subsequent changes in the fair value of the derivative under "Other expense (income)" in our condensed consolidated statements of operations. We amortize the gains and losses currently in accumulated other comprehensive income attributable to any remaining outstanding portion of the hedged item to earnings under "Other expense (income)" in our condensed consolidated statements of operations over the remaining term of the outstanding hedged item.

Prior to the discontinuance of hedge accounting, changes in the fair value of the foreign currency forwards designated as hedging instruments that effectively offset the variability of cash flows associated with the exchange rate were reported in accumulated other comprehensive income. These amounts subsequently were reclassified into earnings in the same period or periods during which the hedged transaction affected earnings.

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The following tables set forth certain information regarding our derivative instruments discontinued as cash flow hedging instruments:

Derivative Instrument	Balance Sheet Location	Fair Value of Derivative Instruments		
		December 31, 2014	December 31, 2013	September 30, 2014
		(in thousands)		
Foreign currency forwards	Receivables, prepaid expenses and other current assets	$2,173	$ 1,952	$ 2,420

Derivative Instrument	Amount of Loss Recognized in Other Comprehensive Income on Derivatives Three Months Ended December 31,	
	2014	2013
	(in thousands)	
Foreign currency forwards	$—	$346

Derivative Instrument	Location of Gain	Amount of Loss on Derivatives Reclassified into Income from Accumulated Other Comprehensive Income Three Months Ended December 31,	
		2014	2013
		(in thousands)	
Foreign currency forwards	Other expense	$352	$245

Derivative Instruments Not Designated as Hedging Instruments

As described in Note 7, in June 2014 we issued and settled $200.0 million aggregate principal amount of Convertible Notes. We granted the initial purchasers the option to purchase up to an additional $30.0 million aggregate principal amount of Convertible Notes. On June 27, 2014, such option was exercised in full. On July 2, 2014, the purchase of the additional $30.0 million of Convertible Notes was settled. The conversion feature of the Convertible Notes can only be settled in cash and is required to be bifurcated from the Convertible Notes and treated as a separate derivative instrument. In order to offset the cash flow risk associated with the Convertible Notes Embedded Derivative, we purchased Convertible Notes Hedges, which are accounted for as derivative instruments. The Convertible Notes Embedded Derivative and the Convertible Notes Hedges are adjusted to fair value each reporting period and unrealized gains and losses are reflected in the condensed consolidated statements of operations. We expect that the realized gain or loss from the Convertible Notes Hedges will substantially offset the realized loss or gain of the Convertible Notes Embedded Derivative upon maturity of the Convertible Notes. See Note 14 for additional information regarding the fair values of the Convertible Notes Embedded Derivative and the Convertible Notes Hedges.

During the quarter ended December 31, 2014 and the fiscal year ended September 30, 2014, Grupo Finmart entered into a cross currency forward contract in connection with the formation of the VIEs and the related transfers of certain loans as described in Note 17. The Company guarantees the future cash outflows of the forward contract, which is included in the Company’s consolidated balance sheets and adjusted to fair value each reporting period through earnings.

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The following tables set forth certain information regarding our derivative instruments not designated as hedging instruments:

Derivative Instrument	Balance Sheet Location	Fair Value Asset (Liability) of Derivative Instruments		
		December 31, 2014 As Restated (See Note 2)	December 31, 2013	September 30, 2014
		(in thousands)		
Foreign currency forwards	Receivables, prepaid expenses and other current assets	$7,814	$—	$ 1,152
Convertible notes hedges	Other assets, net	45,163	—	36,994
Convertible notes embedded derivative	Long-term debt, less current maturities	(45,163)	—	(36,994)

Derivative Instrument	Location of Gain	Amount of Unrealized Gain on Derivatives Three Months Ended December 31,	
		2014 As Restated (See Note 2)	2013
		(in thousands)	
Foreign currency forwards	Other income	$6,662	$—

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NOTE 16: SUPPLEMENTAL CONSOLIDATED FINANCIAL INFORMATION

Supplemental Condensed Consolidated Balance Sheet Information

The following table provides information on net amounts included in pawn service charges receivable, consumer loan fees and interest receivable, inventory, receivables, prepaid expenses and other current assets and property and equipment:

	December 31, 2014 As Restated (See Note 2)	December 31, 2013	September 30, 2014
	(in thousands)		
Pawn service charges receivable, net:			
Gross pawn service charges receivable	$38,568	$38,571	$41,351
Allowance for uncollectible pawn service charges receivable	(8,327)	(7,729)	(10,307)
Total	$30,241	$30,842	$31,044
Consumer loan fees and interest receivable, net:			
Gross consumer loan fees and interest receivable	$27,707	$21,114	$26,332
Allowance for uncollectible consumer loan fees and interest receivable	(14,508)	(3,699)	(13,685)
Total	$13,199	$17,415	$12,647
Inventory, net:			
Inventory, gross	$144,442	$147,975	$154,218
Inventory reserves	(11,783)	(5,816)	(16,043)
Total	$132,659	$142,159	$138,175
Property and equipment, net:			
Property and equipment, gross	$241,419	$225,634	$237,183
Accumulated depreciation	(137,066)	(111,095)	(131,283)
Total	$104,353	$114,539	$105,900

During the quarter ended December 31, 2013, we sold seven U.S. pawn stores (three in Louisiana, two in Mississippi, one in Alabama and one in Florida) for $11.0 million, of which $10.0 million was paid in cash and $1.0 million with a 14% promissory note due on December 31, 2018. The carrying value of the stores' net assets amounted to $3.7 million, primarily consisting of $1.5 million of pawn loans, $1.9 million of inventory, and $0.4 million of pawn service charge receivable, offset by $0.1 million of assumed liabilities. During the quarter ended December 31, 2013 we realized a gain of $6.3 million, which is included under the (gain) loss on sale or disposal of assets in the condensed consolidated statement of operations. In addition, we recorded a deferred gain of $0.7 million.

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NOTE 17: VARIABLE INTEREST ENTITIES

The Company performs ongoing qualitative assessments of VIEs it is involved with to determine if the Company has a controlling financial interest in the VIE and therefore is the VIE's primary beneficiary. If it is determined to be the primary beneficiary, the Company consolidates the VIE in the Company's Consolidated Financial Statements.

Consolidated Variable Interest Entities

During the fiscal year ended September 30, 2014 and the first quarter of fiscal 2015, Grupo Finmart participated in the formation of three VIEs that purchased Mexican Peso denominated long-term unsecured Mexican consumer loans originated by Grupo Finmart whose borrowers were Mexican government employees at the time of loan origination. Each VIE issued its notes to third party investors and used the related net proceeds to purchase the loans from Grupo Finmart at a premium over their principal amount. The creditors of the VIEs do not have recourse to the general credit of EZCORP, Inc. We consolidate these VIEs as we have the power to direct the activities that significantly affect each VIE's economic performance and have the right to receive benefits or the obligation to absorb losses that could potentially be significant to each VIE.

The first VIE ("VIE C") was formed in October 2013 as a trust with third party "Investor C" as the purchaser of its Mexican Peso denominated notes and the VIE's first beneficiary. The second VIE ("VIE B") was formed in March 2014 (amended in June, September and December 2014) as a trust with "Investor B" as the purchaser of the VIE's U.S. Dollar denominated notes and the VIE's first beneficiary. The third VIE ("VIE A") was formed in June 2014 as a trust with "Investor A" as the purchaser of the VIE's Mexican Peso denominated notes and the VIE's first beneficiary. Grupo Finmart is the servicer of the VIEs' loans. In August 2014, "Investors D" and "E" purchased a portion of VIE A's notes from "Investor A" and became additional VIE A first beneficiaries. Each VIEs' notes are payable solely from the VIE's assets. Grupo Finmart receives 100% of VIE C and B cash flows and 50% of VIE A cash flows after: 1) the related VIE's operating expenses are paid, and 2) the related VIE's notes are repaid. Grupo Finmart has an option to repurchase VIE A's loans. VIE A is the only VIE for which Grupo Finmart can be terminated as servicer for reasons other than cause, with termination requiring unanimous first beneficiary approval.

VIE B has entered into foreign exchange forward contracts with Grupo Finmart to mitigate the risk associated with its U.S. Dollar denominated assets and Mexican Peso denominated liabilities. Grupo Finmart has entered into an offsetting foreign exchange forward contract with a third party. See Note 15 for additional information regarding the fair value of the forward contract.

The loans Grupo Finmart transferred to the VIEs at the date of transfer were as follows:

Description of Portfolio	Carrying (Par) Value of Principal of Loans Transferred	Carrying Value of Accrued Interest of Loans Transferred	Principal of VIE Promissory Note Issued at Par
	(in millions, except number of loans)		
14,500 payroll loans transferred to VIE C in October 2013	$14.0	$0.7	$19.3
7,500 in payroll loans transferred to VIE B in March 2014	10.0	1.3	16.0
7,100 in payroll loans transferred to VIE B in June 2014	10.0	2.1	16.5
8,500 in payroll loans transferred to VIE A in June 2014	14.0	2.3	21.8
16,135 in payroll loans transferred to VIE B in September 2014	26.7	3.3	43.8
10,900 payroll loans transferred to VIE B in December 2014	13.9	1.5	22.0

In evaluating whether we have the power to direct the activities of a VIE that most significantly impact its economic performance, we consider the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and our decision-making role, if any, in those activities that significantly determine the entity's economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity's future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

In determining whether we have the right to receive benefits or the obligation to absorb losses that could potentially be significant to a VIE, we evaluate all of our economic interests in the entity, regardless of form (debt, equity, management and servicing fees, and other contractual arrangements). This evaluation considers all relevant factors of the entity's design, including: the entity's capital structure, contractual rights to earnings or losses, subordination of our interests relative to those of other investors, as well as any other contractual arrangements that might exist that could have the potential to be economically significant. The evaluation of each of these factors in reaching a conclusion about the potential significance of our economic interests is a matter that requires the exercise of professional judgment.

The assets of the VIEs can be used only to settle obligations of the VIEs. Information about our involvement with VIEs has been aggregated as the VIEs are similar and we believe separate reporting would not provide more useful information. The assets and liabilities of our consolidated VIEs described above are presented in our condensed consolidated balance sheets and are net of intercompany balances which are eliminated in our condensed consolidated financial statements.

The loans the VIEs purchased from Grupo Finmart are reflected in our consolidated financial statements at amortized cost based on Grupo Finmart' s pre-transfer basis. We did not recognize any gain or loss as a result of the loan transfer to the VIEs or from the consolidation of the VIEs. The excess of the principal amount of each VIE's notes payable over the principal amount of the VIE's loans (this is the unamortized loan premium paid by the VIEs) is to be repaid using a portion of the VIE's loan interest as the coupon of the VIEs' loans are greater than the coupon of the VIE's notes payable.

Income (principally, interest and fees on loans) earned by our consolidated VIEs was $10.6 million and $2.2 million for the three-months ended December 31, 2014 and 2013, respectively. Related expenses consisting primarily of interest expense, foreign exchange losses and consumer loan bad debt expense were $11.0 million and $0.7 million for the three-months ended December 31, 2014 and 2013, respectively. These amounts do not include intercompany transactions which are eliminated in our condensed consolidated financial statements.

See "Non-recourse debt to EZCORP, Inc." in Note 7 for a description of debt, and "Derivative instruments discontinued as cash flow hedging instruments" in Note 15 for a description of derivatives, related to our consolidated VIEs.

Non-Consolidated Variable Interest Entities

The Company holds a significant variable interest in two VIEs for which it is not the primary beneficiary and, therefore, were not consolidated, as discussed below.

Letters of Credit

We issue letters of credit ("LOC") to enhance the creditworthiness of our customers seeking unsecured loans from unaffiliated lenders. The letters of credit assure the lenders that if borrowers default on the loans, we will pay the lenders, upon demand, the principal and accrued interest owed to the lenders by the borrowers plus any insufficient funds fees. In addition we post as cash collateral a specified percentage of the maximum exposure for LOC losses. Our current carrying value of cash collateral and other assets is included in "Receivables, prepaid expenses and other current assets" in our condensed consolidated balance sheets. Expected LOC losses and accounts payable are included in "Accounts payable and other accrued expenses" in our condensed consolidated balance sheets. Maximum exposure for losses on letters of credit if all brokered loans defaulted and none was collected including the portion of that exposure secured by titles to customers' automobiles, not included in our condensed consolidated balance sheets, is summarized below.

	December 31,		September 30,
	2014	2013	2014
	(in thousands)		
Consumer loans:			
Cash collateral and other assets	$9,063	$11,840	$9,135
Expected LOC losses	3,297	3,041	4,708
Accounts payable	1,113	1,355	1,026
Maximum exposure for LOC losses*	28,132	35,592	29,502

* These amounts are not recorded in our condensed consolidated balance sheets. Of the total maximum exposure for LOC losses as of December 31, 2014 and 2013, and September 30, 2014, $8.2 million, $9.9 million and $7.8 million, respectively, was secured by titles to customers' automobiles.

NOTE 18: SUBSEQUENT EVENTS

We have analyzed our operations subsequent to December 31, 2014 to the date this Amended Quarterly Report on Form 10-Q/A is filed, and have determined that we do not have any material subsequent events to disclose in these financial statements other than the events described below.

Cash Converters International Limited

As of December 31, 2014, the fair value of our equity method investment in Cash Converters International was not below our recorded value; however, subsequent to December 31, 2014, the fair value of our investment in Cash Converters International

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fell below our recorded value. We note the following factors as key drivers in the subsequent-to-period-end decline in fair value:

- On May 1, 2015, Cash Converters International released a quarterly update for the period ended March 31, 2015 noting a decline in its United Kingdom financial services performance due to Policy Statement 14/16 promulgated by the U.K. Financial Conduct Authority which became effective on January 2, 2015. The legislation provides regulatory guidance on high cost short-term credit rates. Cash Converters International stated that transition to these requirements was completed during the quarter ended March 31, 2015 and that it expects improvement in its U.K. financial services performance going forward.
- On June 18, 2015, Cash Converters International reached an agreement to pay $17.7 million toward settlement of a class-action lawsuit brought by its customers alleging that Cash Converters International charged excessive interest on short-term loans.
- On August 5, 2015, Westpac Banking Corporation ("Westpac") informed Cash Converters International that it had made the decision to cease to provide banking and financial products and services to its customers who provide Short Term Credit Contracts or Small Amount Credit Contracts under section 5(1) of the National Consumer Credit Protection Act 2009. As Cash Converters International is a licensed provider of financial services under the terms of the National Consumer Credit Protection Act 2009, Westpac will not continue to provide services to Cash Converters International; however, they will provide Cash Converters International with time to establish alternative funding arrangements. Cash Converters International has drawn approximately AUD $59 million from its securitization facility with Westpac.

The fair value decline may be other-than-temporary in periods subsequent to December 31, 2014. We further estimate that our carrying value in Cash Converters International will exceed the fair value by approximately $29.4 million as of September 30, 2015 based upon the stock price and exchange rates as of that date, which may cause an other-than-temporary impairment in our investment in future reporting periods. In subsequent periods, we will consider the guidance in ASC 320-10-S99-1 and ASC 323-10-35 in evaluating whether the impairment is other-than-temporary and whether to measure and recognize any other-than-temporary impairment.

Discontinued Operations and Restructuring

On July 27, 2015, the Company's Board of Directors approved a restructuring plan that includes:

- Exiting our U.S. Financial Services business ("USFS") and ceasing the employment of the employees related to that business; and
- Streamlining our structure and operating model to improve overall efficiency and reduce costs, which includes additional store closures, consolidations and relocations; additional headcount reductions in the remaining business and in the corporate support center; termination of various real property leases; and write-down and write-offs of various assets no longer to be used in the business.

Under the new strategy, the Company will (a) focus on growing our core pawn operations in the U.S. and Mexico and our Grupo Finmart business in Mexico and (b) simplify our operating structure by moving from a divisional to a functional business model.

As part of the exit of our USFS business, we have closed 480 USFS locations and ceased the employment of approximately 1,000 employees associated with that business. We currently expect to have substantially completed the USFS exit activities by December 31, 2015.

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The following table sets forth our current estimate of the major types of costs and charges associated with the closing of the USFS business. The ranges set forth below are only estimates, and the actual costs or charges incurred in connection with the closure of USFS could differ materially from the ranges described below.

	Range of Amounts (in millions)		
Category of Costs or Charge			
Store exit costs (a)	$5.0	-	$8.0
Employee severance and retention payments (b)	4.0	-	5.0
Asset impairment or write-down (c)	29.0	-	31.0
Total (d)	$38.0	-	$44.0

(a) Represents the estimated costs to exit the USFS store locations, including lease termination costs, costs to restore leased premises to pre-lease condition and contract termination expenses.

(b) Includes one-time termination benefits to be paid to affected employees, as well as retention payments to selected employees.

(c) Includes impairment or write-down of long-lived assets (including goodwill and other intangibles), as well as additional bad debt provision in anticipation of the increased difficulty in collecting outstanding consumer loans during the closure process. Of this amount, $10.6 million was recorded during the three-month period ended June 30, 2015 as a result of the impairment of USFS goodwill. See Note 6 of Notes to Interim Condensed Consolidated Financial Statements included in "Part I, Item 1 — Financial Statements" in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015.

(d) Of this amount, $9.0 million to $13.0 million will result in potential future cash expenditures.

Of these costs and charges, $10.6 million has been recorded as expense in the third quarter of fiscal 2015 and we expect between $26.0 million and $32.0 million will be recorded as expense in our financial statements for the fourth quarter of fiscal 201 and the remaining amount will be recorded as an expense in the first quarter of fiscal 2016.

In addition to the exit of our USFS business, we will simplify our operating structure by moving from a divisional to a functional business model. This will include a number of initiatives designed to enhance efficiencies and reduce costs. These initiatives will include the closure of 54 underperforming locations (17 in U.S. Pawn, 9 in Empeño Fácil, 17 in TUYO, and 11 in Canada) and ceasing the employment of approximately 300 employees. We currently expect to have substantially completed these initiatives by December 31, 2015.

The following table sets forth our current estimate of the major types of costs and charges associated with the simplification of our operating structure. The ranges set forth below are only estimates, and the actual costs or changes incurred could differ materially from the ranges described below.

	Range of Amounts (in millions)		
Category of Costs or Charge			
Facilities exit costs (a)	$18.0	-	$20.0
Employee severance and retention payments (b)	1.0	-	2.0
Asset impairment or write-down (c)	18.0	-	19.0
Total (d)	$37.0	-	$41.0

(a) Represents the estimated costs to exit the store locations described above, restore leased premises to pre-lease condition and reduce our lease commitments for other facilities. These amounts include non-cash components of $10.0 million to $11.0 million.

(b) Includes one-time termination benefits to be paid to affected employees, as well as retention payments to selected employees.

(c) Includes impairment or write-down of long-lived assets (including goodwill and other intangibles).

(d) Of this amount, $9.0 million to $11.0 million will result in potential future cash expenditures.

We expect between $36.0 million and $40.0 million of these costs and charges will be recorded as an expense in our financial statements for the fourth quarter of fiscal 2015, while the remaining amount will be recorded as an expense in the first quarter of fiscal 2016.

Acquisitions

On Februrary 19, 2015, we completed the acquisition of 12 pawn stores in Central Texas doing business under the "Cash Pawn" brand. The aggregate purchase price for the acquisition was $16.5 million, comprised of $5.0 million cash and 1,168,456 shares of our Class A Non-voting Common Stock (the "Shares"). The sellers have the right to require us to repurchase the

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Shares for an aggregate price of $11.8 million on the first anniversary of the closing date. See "Item 2.02 — Results of Operations and Financial Condition — Acquisitions — Cash Pawn Acquisition" in our Current Report on Form 8-K dated May 14, 2015. We have concluded that this acquisition was immaterial to our overall consolidated financial results and, therefore, have omitted the information required by ASC 805-10-50-2(h).

As of December 31, 2014, we owned 59% of the outstanding equity interest in our consolidated subsidiary Renueva Commercial S.A.P.I. de C.V. ("TUYO"). Effective April 1, 2015, we acquired all of the remaining equity interests in TUYO for $2.8 million in cash and a $0.3 million note payable over the next five years, and as of April 1, 2015, TUYO is a wholly-owned subsidiary. This transaction was treated as an equity transaction as required by ASC 810-10.

On August 17, 2015, we completed the acquisition of 13 pawn stores in Oregon and Arizona doing business under the "USA Pawn" brand. The aggregate purchase price was $12.3 million in cash. We have concluded that this acquisition was immaterial to our overall consolidated financial results and, therefore, we have omitted the information required by ASC 805-10-50-2(h).

As of March 31, 2015 we owned 76% of the outstanding equity interest in our consolidated subsidiary Grupo Finmart. On August 31, 2015, we acquired an additional 18% of the outstanding ordinary shares of Grupo Finmart for $29.6 million of cash consideration, increasing our ownership percentage to 94%, with the remaining 6% held by minority shareholders. This transaction was treated as an equity transaction as required by ASC 810-10.

Event of Default and Election to Pay Additional Interest

Under the Indenture relating to our Convertible Notes (see "2.125% Cash Convertible Senior Notes Due 2019" in Note 7),we are required to file with the Trustee our annual, quarterly and other periodic reports within 15 days after those reports are required to be filed with the Securities and Exchange Commission (the “SEC”). As previously disclosed, we did not timely file with the SEC or the Trustee our Quarterly Report on Form 10-Q for the period ended March 31, 2015 (the “Q2 Quarterly Report”) and, thus, were in default under the Indenture as of May 26, 2015. We notified the Trustee of such default on June 22, 2015, as required by the Indenture.

Under the Indenture, such default does not constitute an Event of Default (as defined in the Indenture) until the Trustee notifies us in writing of the default and we do not cure the default within 60 days after the receipt of such notice. We received a Notice of Default from the Trustee regarding our failure to timely file the Q2 Quarterly Report on July 29, 2015. The 60-day cure period specified in the Indenture expired on September 27, 2015, and an Event of Default under the Indenture existed as of that date.

The Indenture provides that we may elect, as the sole and exclusive remedy for the Event of Default during the first 180 days after the occurrence of the Event of Default, to pay additional interest on the Convertible Notes at a rate equal to 0.50% per annum of the principal amount of the Notes (the “Additional Interest”). We elected to pay such Additional Interest and notified the Trustee of such election, and the Trustee notified the holders of Convertible Notes, all in accordance with the terms of the Indenture.

The Additional Interest will accrue on all outstanding Convertible Notes from, and including, September 27, 2015 (the date on which the Event of Default occurred) to the earlier of (a) the date on which the Event of Default is cured or waived or (b) March 24, 2016 (the 180th day from and after the date on which the Event of Default occurred). The Additional Interest will be payable in the same manner and on the same dates as the stated interest payable on the Convertible Notes.

Regulatory Matters

- CFPB — Since February 2014, we have received several Civil Investigative Demands ("CIDs") from the Consumer Financial Protection Bureau ("CFPB") requiring the production of documents and oral testimony from Company representatives. We continue to cooperate fully with the CFPB in its investigation, have provided the CFPB with most of the information requested and are in the process of responding to certain follow-up requests.

On April 13, 2015, we received a NORA ("Notice of Opportunity to Respond and Advise") call from the CFPB, in which the CFPB staff asserted alleged violations of federal consumer financial protection laws. We submitted our written response to the NORA allegations on May 1, 2015, in which we stated our position with respect to each of the alleged violations, and since that time have been involved in ongoing discussions with the CFPB. There can be no assurance that the CFPB will not require us to pay fines, penalties and/or customer restitution to address the alleged violations.

- FCA — In the course of evaluating and preparing our Cash Genie business for compliance with the new guidelines and rules published by the Financial Conduct Authority ("FCA"), we noted three issues primarily related to our legacy business, self-reported those to the FCA in June 2014 and have been in regular dialogue with the FCA regarding those

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issues since. In July 2014, we agreed to the imposition of a Voluntary Requirement formalizing our commitment to review and evaluate the issues under the oversight of an independent "skilled person" appointed by the FCA to determine whether customers have been adversely affected by those issues and, if so, to assess the redress that would be appropriate. Grant Thornton LLP was selected as the skilled person to oversee the process (referred to as a "section 166 process"), and that process was recently completed. During the section 166 process, an additional issue was identified and discussed with the FCA.

In July 2015, we reached an agreement with the FCA regarding the redress to be offered to the customers affected by these issues and have substantially completed the redress scheme. In connection with discontinuing the Cash Genie operations, we accrued $6.5 million in anticipation of the requirement for customer redress, which was recorded in discontinued operations in the fourth quarter of 2014. The agreed upon redress scheme called for an incremental $3.3 million, and we recorded that incremental expense in discontinued operations in the second quarter of fiscal 2015. The redress scheme also called for the write-off or write-down of consumer loan balances that had previously been charged to bad debt expense, and we did not incur any additional expense associated with the write-off or write-down.

Federal Securities Litigation

- Southern District of New York — On March 13, 2015, the lead plaintiff in the federal securities action pending in the Southern District of New York (see Note 11) filed a Consolidated Amended Class Action Complaint (the "Amended Complaint"). The Amended Complaint asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as well as Rule 10b-5 promulgated thereunder, alleging generally that:
  EZCORP and the officer defendants (Mr. Rothamel and Mr. Kuchenrither) issued false and misleading statements and omissions regarding the Company's online lending operations in the U.K. (Cash Genie) and Cash Genie's compliance history;
  EZCORP and the officer defendants issued false and misleading statements and omissions regarding the nature of the Company's consulting relationship with Madison Park LLC (an entity owned by Mr. Cohen) and the process the Board of Directors used in agreeing to it;
  EZCORP's financial statements were false and misleading, and violated GAAP and SEC rules and regulations, by failing to properly recognize impairment charges with respect to the Company's investment in Albemarle & Bond; and
  Mr. Cohen and MS Pawn Limited Partnership, as controlling persons of EZCORP, were aware of and controlled the Company's alleged false and misleading statements and omissions.

The defendants have filed motions to dismiss, and the parties have submitted their respective supporting and opposing briefs. That motion is pending before the Court.

- Western District of Texas — On July 20, 2015, Wu Winfred Huang, a purported holder of Class A Non-voting Common Stock, for himself and on behalf of other similarly situated holders of Class A Non-voting Common Stock, filed a lawsuit in the United States District Court for the Western District of Texas styled Huang v. EZCORP, Inc., et al. (Case No. 1:15-cv-00608-SS). The complaint names as defendants EZCORP, Inc., Stuart I. Grimshaw (our chief executive officer) and Mark E. Kuchenrither (our former chief financial officer) and asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The complaint relates to the Company’s announcement on July 17, 2015 that it will restate the financial statements for fiscal 2014 and the first quarter of fiscal 2015, and alleges generally that the Company issued materially false or misleading statements concerning the Company, its finances, business operations and prospects and that the Company misrepresented the financial performance of the Grupo Finmart business.

On August 14, 2015, a substantially identical lawsuit, styled Rooney v. EZCORP, Inc., et al. (Case No. 1:15-cv-00700-SS) was also filed in the United States District Court for the Western District of Texas. On September 28, 2015, the plaintiffs in these two lawsuits filed an agreed stipulation to be appointed co-lead plaintiffs and agreed that their two actions should be consolidated. On November 3, 2015, the Court entered an order consolidating the two actions under the caption In re EZCORP, Inc. Securities Litigation (Master File No. 1:15-cv-00608-SS), and appointed the two plaintiffs as co-lead plaintiffs, with their respective counsel appointed as co-lead counsel.

This case is in the very early stages. We cannot predict the outcome of the litigation, but we intend to defend vigorously against all allegations and claims.

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

The discussion in this section contains forward-looking statements that are based on our current expectations. Actual results could differ materially from those expressed or implied by the forward-looking statements due to a number of risks, uncertainties and other factors, including those identified in “Part II, Item 1A — Risk Factors” of this Amended Quarterly Report on Form 10-Q/A and "Part I, Item 1A — Risk Factors" of our Amended Annual Report on Form 10-K/A for the year ended September 30, 2014. See also "Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results."

This discussion and analysis should be read in conjunction with the interim condensed consolidated financial statements and the accompanying notes to the interim condensed consolidated financial statements included in this Amended Quarterly Report on Form 10-Q/A.

Grupo Finmart Portfolio Review and Restatement

Background

Grupo Finmart enters into payroll withholding agreements (called “convenios”) with Mexican employers — principally, federal, state, and local government agencies — and provides unsecured, multiple payment consumer loans to employees of those various employers. Interest and principal payments are generally collected by the employers through payroll deductions and remitted to Grupo Finmart.

Review of Asset Sales

During fiscal 2014 and the first quarter of fiscal 2015, Grupo Finmart entered into a total of six structured asset sales pursuant to which a portion of the loan portfolio was sold to special purpose trusts for the benefit of third parties (the “Asset Sales”). We accounted for each of the Asset Sales as a sale, and we recognized a gain equal to the difference between the book value of the sold loans and the purchase price, which was generally equal to the aggregate amount of the payments Grupo Finmart expected to receive over the life of the loans minus a negotiated discount. The effect of this accounting treatment was to accelerate the recognition of the interest income that would otherwise have been recognized over the life of the loans.

In the second quarter of fiscal 2015, in the course of performing their audit work, our independent registered public accounting firm began reviewing the Asset Sale completed in the first quarter of fiscal 2015 and raised various questions regarding the terms of that transaction. Those questions prompted a comprehensive review of the terms and conditions of each of the Asset Sales. Following that review and considerable discussion involving management, our accounting advisors, our legal advisors in the U.S. and Mexico, and our independent registered public accounting firms, management determined that the Asset Sales should not have been accounted for as sales, principally due to certain control rights that Grupo Finmart retained as servicer of the loans. We now believe that, because of those control rights, the trusts to which the loans were sold should be accounted for as “variable interest entities” and consolidated pursuant to ASC 810-10 (Consolidation and the Variable Interest Model), and therefore, the sales should not have been recognized for accounting purposes.

The effect of the consolidation is that the gain on sale is eliminated, the assets and liabilities of the trusts are included in our consolidated balance sheet and interest income (along with the related expenses) is recognized over the life of the loans. This process results, generally, in a reduction in net income in the periods during which an Asset Sale occurred (due to the reversal of the gain on sale) and an increase in net income thereafter (due to the accrual and recognition of interest income, net of expenses, over the life of the loans). Our restated financial statements reflect the trust consolidation.

Review of “Non-Performing” Loans

Relevant Accounting Policies — Historically, we have recognized interest revenue on the Grupo Finmart loans ratably over the stated terms of the loans. Based on historical experience, we estimated the percentage of loans that Grupo Finmart expects not to collect and established a bad debt reserve against the principal and accrued interest.

Loans to Grupo Finmart customers whose employment is continuing are referred to as "in-payroll" loans, while loans to Grupo Finmart customers whose employment is discontinued are referred to as "out-of-payroll" loans. A customer is generally considered to have discontinued their employment if they are no longer employed by the employer that is responsible for the payroll withholding.

Grupo Finmart's loans were considered active as long as they were in-payroll. Out-of-payroll loans were considered active if Grupo Finmart continued to receive payments, but were considered defaulted if payments were not made. Upon default, we charged the loan principal to consumer loan bad debt expense, reduced interest revenue by the amount of unpaid interest accrued on the loan prior to default and ceased accruing future interest revenue. If Grupo Finmart subsequently collected some

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or all of the defaulted loan, we reduced consumer loan bad debt expense by the amount of collected principal and increased interest revenue by the amount of collected interest.

Under Grupo Finmart's historic accounting policy, only defaulted out-of-payroll loans were considered in nonaccrual status. Due to the likelihood of ultimately receiving payment if the customer's employment continued, we continued to accrue interest on all in-payroll loans, even though Grupo Finmart might not be currently receiving payments. A number of circumstances cause delays in the receipt of payments on a Grupo Finmart loan. For example:

- It often takes 90 days or more for the employer to set up initial payroll withholding and begin remitting payments to Grupo Finmart (a process referred to as "ratification").
- It is not unusual to have an interruption or delay in payments for a number of reasons, such as holidays, summer vacations, illness, convenio renewals, union permits and political elections.
- Many convenios limit the amount that can be withheld from a borrower's paycheck, and if the borrower has multiple loans outstanding, the withheld amount is generally used to repay the loans in the order in which there wer made.
- Some larger employers act as a consolidator and remitter on behalf of other smaller employers and the payment consolidation processes, or other issues with employer systems, sometimes cause interruptions in payments.

Issues Identified in Review — In January 2015, Grupo Finmart management notified our finance management that a previous loan purchaser had requested to have some of its loans replaced because, several months after the loan sale, some of the sold loans had still not been ratified. Upon receipt of that information, we initiated a review of the entire Grupo Finmart loan portfolio to identify all loans that were being carried as active loans but with respect to which Grupo Finmart was not currently receiving payments ("non-performing" loans) and to determine the reason that payments on the loans were not being received. During the course of this review, the following issues were identified:

- We determined that the non-performing loans included a number of out-of-payroll loans that had not been correctly classified and recognized as such. This error caused an understatement of bad debt expense and an overstatement of accrued interest revenue in prior periods. We have now analyzed the non-performing loan portfolio to identify all out-of-payroll loans and determine, on a loan-by-loan basis, the period during which Grupo Finmart should have charged the loan to bad debt expense and ceased accruing interest revenue.
- We also found that many of the non-performing loans, while still in-payroll, had been in non-performing status for some time. Under Grupo Finmart's historic interest accrual policy, we accrued and recognized interest income on in-payroll loans over the stated life of the loans even though partial or delayed payments extended the loan's payback period beyond the stated loan term. After reviewing the aging characteristics of the non-performing loans and consulting with our independent registered public accounting firms, we have determined that it is appropriate to:

Accrue and recognize interest income over the period that payments are expected to be received rather than over the stated term of the loan;

For loans that have been in non-performing status for 180 days, charge the loan principal to consumer loan bad debt expense, reduce interest revenue by the amount of unpaid interest theretofore accrued on the loan, cease accruing future interest revenue and record future collections under the cost recovery method (recognizing income after principal has been recovered); and

Expense certain commission costs as incurred rather than amortize them over future periods.

The application of this methodology has resulted in adjustments to interest income and bad debt expense for all periods since we began consolidation of Grupo Finmart in the second quarter of fiscal 2012. Those adjustments are reflected in the restated financial statements for fiscal 2012, 2013 and 2014 presented in our Amended Annual Report on Form 10-K/A for the year ended September 30, 2014 and in the restated financial statements for the first quarter of fiscal 2015 presented in this Amended Quarterly Report on Form 10-K/A, and will be reflected in the financial statements for the second and third quarters of fiscal 2015 and future periods.

Summary of Restatement Adjustments

The restatement adjustments include (a) those adjustments necessary to correct the accounting errors attributable to the Asset Sales, (b) those adjustments necessary to correct the accounting errors attributable to the non-performing loans and (c) certain other adjustments identified during the restatement process. The following tables summarize the impact of these adjustments for the first quarter of fiscal 2015 (ended December 31, 2014). For a description of the impact of the adjustments for fiscal

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2014, fiscal 2013 and fiscal 2012 and for each of the quarterly periods within those years (other than the first quarter of fiscal 2012, which was not restated), see "Part II, Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Grupo Finmart Portfolio Review and Restatement — Summary of Restatement Adjustments" in our Amended Annual Report on Form 10-K/A for the fiscal year ended September 30, 2014.

	Quarter Ended December 31, 2014
	(in thousands)
Income from continuing operations before income taxes (as previously reported)	$20,435
Asset sale impact	(1,772)
Portfolio review impact	(8,039)
Other impacts	1,589
Net impact of adjustments	(8,222)
Income from continuing operations before income taxes (as restated)	$12,213

	Quarter Ended December 31, 2014		
	As Previously Reported	Restatement Adjustments	As Restated
	(in thousands, except per share amounts)		
Results of Operations:			
Total revenues	$252,644	$174	$252,818
Net revenues	150,330	(6,715)	143,615
Operating expenses	123,119	(1,784)	121,335
Non-operating expenses	6,776	3,291	10,067
Income from continuing operations before income taxes	20,435	(8,222)	12,213
Income tax expense	6,365	(2,787)	3,578
Income from continuing operations, net of tax	$14,070	$(5,435)	$8,635
Net income attributable to EZCORP, Inc.	$15,260	$(3,648)	$11,612
Diluted earnings per share attributable to EZCORP, Inc.	$0.28	$(0.06)	$0.22
Balance Sheet Data:			
Total current assets	$622,552	$8,111	$630,663
Total assets	1,351,383	53,068	1,404,451
Total current liabilities	116,494	51,146	167,640
Total liabilities	451,326	111,914	563,240
Total temporary equity	31,868	(13,318)	18,550
EZCORP, Inc. stockholders’ equity	868,189	(45,528)	822,661
Cash Flow Data:			
Net cash provided by operating activities	$10,935	$(5,253)	$5,682
Net cash (used in) provided by investing activities	38,874	(47,059)	(8,185)
Net cash provided by (used in) financing activities	(26,086)	53,318	27,232
Net increase in cash and cash equivalents	21,270	1,004	22,274

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Nature of Accounting Errors

The Audit Committee of our Board of Directors engaged accounting advisors to investigate the potential errors in the non-performing loan portfolio and requested the Company's external legal counsel to assist it in investigating whether the errors were the result of fraud or intentional misconduct. Based on those investigations, the Audit Committee has concluded that the errors in our previously issued financial statements are the result of unintentional accounting errors or mistakes and inadequate and ineffective internal controls, and were not the result of any deliberate attempt to misstate financial statements, misrepresent the Company’s financial condition or results of operations, or deceive or defraud investors.

Control Deficiencies and Remedial Errors

Management has identified a number of deficiencies in the design and operating effectiveness of our internal controls that, collectively, represent material weaknesses in our internal control over financial reporting as of September 30, 2014, September 30, 2013 and September 30, 2012. The deficiencies are the result of management's failure to design, implement and maintain adequate operational and internal controls and processes to (1) identify complex transactions requiring specialized accounting expertise and other financial reporting requirements and (2) monitor and report the performance of the Grupo Finmart loan portfolio. We are in the process of designing and implementing an appropriate remediation plan to address the material weaknesses.

For a description of the deficiencies that led to the material weaknesses, as well as a description of our planned remediation efforts, see “Part I, Item 4 — Controls and Procedures.”

All of the financial information presented in this "Part I, Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations" has been revised to reflect the restatement described above. For additional information about the restatement, see Note 2 of Notes to Interim Condensed Consolidated Financial Statements included in "Part I, Item 1 — Financial Statements."

Overview of Operations

EZCORP is a Delaware corporation headquartered in Austin, Texas. We are a leader in delivering easy cash solutions to our customers across channels, products, services and markets. With approximately 7,000 teammates and approximately 1,400 locations and branches, we give our customers multiple ways to access instant cash, including pawn loans and consumer loans in the United States, Mexico and Canada, and fee-based credit services to customers seeking loans. At our pawn and buy/sell stores we also sell merchandise which is primarily collateral forfeited from pawn lending operations in addition to used merchandise purchased from customers.

We fulfill the growing global consumer demand for immediate access to cash, financial services and affordable pre-owned merchandise. We offer a variety of instant cash solutions, including collateralized, non-recourse loans, commonly known as pawn loans, and a variety of short-term and long-term consumer loans, including single- and multiple-payment unsecured loans and single- and multiple-payment auto title loans. In Texas, we do not offer consumer loan products, but rather offer credit services to help customers obtain loans from independent third party lenders.

We own a 76% interest in Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart" doing business under the names "Crediamigo" and "Adex"), a payroll withholding lender headquartered in Mexico City; and a 59% interest in Renueva Commercial S.A.P.I. de C.V. ("TUYO"), a company headquartered in Mexico City that owns and operates buy/sell stores in Mexico City and the surrounding metropolitan area.

Our vision is to be the global leader in providing customers with easy cash solutions where they want, when they want and how they want, and we are making the investments in both storefronts and technology platforms to achieve that vision.

As of December 31, 2014, we operated a total of 1,368 locations, consisting of:

- 502 U.S. pawn stores (operating primarily as EZPAWN or Value Pawn & Jewelry);
- 7 U.S. buy/sell stores (operating as Cash Converters);
- 241 Mexico pawn stores (operating as Empeño Fácil);
- 506 U.S. financial services stores (operating primarily as EZMONEY);
- 24 Canada financial services stores (operating as CASHMAX);
- 15 Canada buy/sell and financial services stores (operating as Cash Converters);

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- 21 Mexico buy/sell stores (operating as TUYO or Cash Converters); and
- 52 Grupo Finmart financial services branches in Mexico (operating as Crediamigo or Adex).

We own approximately 32% of Cash Converters International Limited, based in Australia, which franchises and operates a worldwide network of over 750 locations that provide financial services and buy and sell second-hand goods. We also own the Cash Converters master franchise rights in Canada and are the franchisor of four stores there.

Our business consists of three reportable segments:

- U.S. & Canada — All business activities in the United States and Canada
- Latin America — All business activities in Mexico and other parts of Latin America
- Other International — Our equity interest in the net income of Cash Converters International

The following tables present store data by segment:

	Three Months Ended December 31, 2014				
	Company-owned Stores				
	U.S. & Canada	Latin America	Other International	Consolidated	Franchises
Stores in operation:					
Beginning of period	1,044	314	—	1,358	5
De novo	10	3	—	13	—
Sold, combined or closed	—	(3)	—	(3)	(1)
End of period	1,054	314	—	1,368	4

	Three Months Ended December 31, 2013				
	Company-owned Stores				
	U.S. & Canada	Latin America	Other International	Consolidated	Franchises
Stores in operation:					
Beginning of period	1,030	312	—	1,342	8
De novo	5	4	—	9	—
Sold, combined or closed	(7)	—	—	(7)	(2)
End of period	1,028	316	—	1,344	6

Pawn Activities

At our pawn stores, we offer secured loans, which are typically small, non-recourse loans collateralized by tangible personal property. As of December 31, 2014, we had an aggregate pawn loan principal balance of $150.9 million. We earn pawn service charge revenue on our pawn loans. During the quarter ended December 31, 2014, pawn service charges accounted for approximately 26% of our total revenues and 45% of our net revenues.

While allowable service charges vary by state and loan size, most of our U.S. pawn loans earn 20% per month. The total U.S. pawn loan primary term ranges between 30 and 120 days, with an additional grace period between 0 and 90 days. Individual loans vary depending on the valuation of each item pawned, but typically average $97.

In Mexico, pawn service charges range from 12% to 21% per month, including applicable taxes, with the majority of loans earning 21%. The total Mexico pawn loan primary term is 30 days, with an additional grace period up to 10 days. Individual loans are made in Mexican pesos and vary depending on the valuation of each item pawned, but typically average U.S. $60.

In our pawn stores, buy/sell stores and certain financial services stores in Canada, we acquire inventory for retail sales through pawn loan forfeitures, purchases of customers' merchandise and purchases of new or refurbished merchandise from third party vendors. We believe our ability to offer quality secondhand goods and refurbished goods at prices significantly lower than original retail prices attracts value-conscious customers. The gross profit on sales of inventory depends primarily on our assessment of the loan or purchase value at the time the property is either accepted as loan collateral or purchased. Improper value assessment in the lending or purchasing process can result in lower margins or reduced marketability of the merchandise.

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Our inventory is stated at the lower of cost or market. We record a valuation allowance for obsolete or slow-moving inventory based on the type and age of merchandise. We generally establish a higher allowance percentage on general merchandise, as it is more susceptible to obsolescence, and establish a lower allowance percentage on jewelry, as it retains much greater commodity value. The total allowance was 7.2% of gross inventory as of December 31, 2014, compared to 3.6% as of December 31, 2013 and 9.6% as of September 30, 2014. The increase in valuation allowance from the same prior-year period is reflective of periodic analyses conducted to value the inventory based on aging, profitability, sell-through rates and shrink in each classification, including jewelry and general merchandise. We experienced a decrease in aged inventory from the prior year end and an associated increase in margin compression associated with its disposition. The net result on the overall valuation allowance was a decrease from the period year end.

Consumer Loan Activities

Outside of Texas, we earn loan fee revenue on our consumer loans. As of December 31, 2014, we offered single-payment unsecured consumer loans in 128 U.S. financial services stores, two U.S. pawn stores and 39 Canadian financial services stores. The average single-payment loan amount was approximately $460 and the term is generally less than 30 days, averaging about 18 days. We typically charge a fee of 10% to 18% of the loan amount. In 123 of our U.S. financial services stores, we offer multiple-payment unsecured consumer loans. These loans carry a term of up to seven months with a series of equal installment payments including principal amortization due monthly, semi-monthly or on the customers' paydays. Total interest and fees on these loans vary in accordance with state law, local ordinances and loan terms, but over the entire loan term total approximately 45% to 175% of the original principal amount of the loan. Multiple-payment loan principal amounts range from $100 to $3,500, but average approximately $570.

As of December 31, 2014, we offered credit services to customers seeking consumer loans from unaffiliated lenders in 288 U.S. financial services stores and two U.S. pawn stores. In these locations, we act as a credit services organization ("CSO") on behalf of customers in accordance with applicable state and local laws. We do not participate in any of the loans made by the lenders, but earn a fee for helping customers obtain credit and for enhancing customers' creditworthiness by providing letters of credit to the unaffiliated lenders. Customers may obtain different types of consumer loans from the unaffiliated lenders. For credit services in connection with arranging a single-payment loan (average loan amount of about $540), our fee is approximately 22% to 44% of the loan amount. For credit services in connection with arranging an unsecured multiple-payment loan (average loan amount of about $915), our fee is 175% of the initial loan amount. For credit services in connection with arranging single-payment auto title loans (average loan amount of about $1,240), the fee is up to 30% of the loan amount with an average rate of 20%. We also assist customers in obtaining longer term multiple-payment auto title loans from unaffiliated lenders. Multiple-payment auto title loans typically carry terms of five months with up to ten equal installments. Multiple-payment auto title loan principal amounts range from $150 to $10,000, but average about $1,220; and we earn a fee of 45% to 150% of the initial loan amount.

As of December 31, 2014, 442 of our U.S. financial services stores and two of our U.S. pawn stores offered auto title loans or, in Texas, credit services to assist customers in obtaining auto title loans from unaffiliated lenders. Auto title loans are 30-day loans secured by the titles to customers' automobiles. Loan principal amounts range from $50 to $20,000, but average about $1,060. We earn a fee of 9% to 30% of auto title loan amounts. In Texas, we assist customers in obtaining multiple-payment auto title loans from unaffiliated lenders. These loans typically carry terms of five months with up to ten equal installments. Principal amounts range from $150 to $10,000, but average about $1,220; and we earn a fee of 45% to 150% of the initial loan amount.

In Mexico, Grupo Finmart offers multiple-payment consumer loans that are collected through payroll deductions. The average loan is approximately U.S. $1,400, with a stated term of 30 months. Stated interest rates approximate 72% annually.

International Growth

Within our Mexican consumer loan business, we anticipate Grupo Finmart will continue to sign new contracts with federal, state and local governments as well as further penetrate the existing contracts. As of December 31, 2014, our lending penetration into the booked contracts was approximately 4%, which indicates further growth opportunities. In addition, we are seeking to diversify our product offerings to this customer base. We expect to continue to obtain local financing to fund Grupo Finmart's lending growth, and we anticipate this financing will continue to be non-recourse to EZCORP.

We intend to continue to maximize lending opportunity in key product categories as well as evaluate potential acquisition targets in our Mexican pawn business, but will adjust growth from time-to-time to conform to near-term market conditions. The Mexican pawn environment has mirrored the U.S. pawn environment as gold prices have dropped and the industry has seen a shift from gold and jewelry pawn activity to general merchandise pawn activity. We intend to secure local financing for our Mexican pawn growth.

As of December 31, 2014, we operated 21 buy/sell stores within the Mexico market. We intend to finance any future de novo stores using cash flow generated from our Mexican operations, as well as local financing.

Seasonality

Historically, pawn service charges are highest in our fourth fiscal quarter (July through September) due to a higher average loan balance during the summer lending season. Merchandise sales are highest in the first and second fiscal quarters (October through March) due to the holiday season, jewelry sales surrounding Valentine's Day and the impact of tax refunds in the United States. Jewelry scrapping sales are heavily influenced by the availability of excess jewelry inventory and timing of decisions to scrap excess jewelry inventory.

Consumer loan fees are generally highest in our fourth and first fiscal quarters (July through December) due to a higher need for cash during the holiday season. Consumer loan bad debt, both in dollar terms and as a percentage of related fees, is highest in the fourth fiscal quarter and lowest in the second fiscal quarter due primarily to the impact of tax refunds in the U.S.

The payroll withholding lending business is less impacted by seasonality, with the exception of the summer months when new loan originations tend to moderate.

Certain Accounting Matters

Critical Accounting Policies

There have been no changes in critical accounting policies as described in our Amended Annual Report on Form 10-K/A for the year ended September 30, 2014.

Recently Adopted Accounting Pronouncements

There were no recently adopted accounting pronouncements during the quarter ended December 31, 2014.

Recently Issued Accounting Pronouncements

There were no applicable recently issued accounting pronouncements during the quarter ended December 31, 2014.

Use of Estimates and Assumptions

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our condensed consolidated financial statements, which have been prepared according to accounting principles generally accepted in the United States for interim financial information. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, inventory, loan loss allowances, long-lived and intangible assets, income taxes, contingencies and litigation. We base our estimates on historical experience, observable trends and various other assumptions that we believe are reasonable under the circumstances. We use this information to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from the estimates under different assumptions or conditions.

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Results of Operations

Summary Financial Data

In addition to the financial information prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"), we provide certain other non-GAAP financial information on a constant currency basis ("constant currency"). We use constant currency results to evaluate results of the Latin America segment operations, which are denominated in Mexican pesos and believe that presentation of constant currency results is meaningful and useful in understanding the activities and business metrics of our Latin America operations and reflect an additional way of viewing aspects of our business that, when viewed with its GAAP results, provide a more complete understanding of factors and trends affecting our business. We provide non-GAAP financial information for informational purposes and to enhance understanding of our GAAP condensed consolidated financial statements. Readers should consider the information in addition to, but not instead of or superior to, our financial statements prepared in accordance with GAAP. This non-GAAP financial information may be determined or calculated differently by other companies, limiting the usefulness of those measures for comparative purposes.

Constant currency results reported herein are calculated by translating balance sheet and income statement items denominated in Mexican pesos to U.S. dollars using the exchange rate from the prior-year comparable period, as opposed to the current comparable period, in order to exclude the effects of foreign currency rate fluctuations. For balance sheet items, the end of period rate at December 31, 2013 of 13.1 to 1 was used, compared to the current end of period rate at December 31, 2014 of 14.7 to 1. For statement of operations items, the average closing daily exchange rate for the appropriate period was used. The average exchange rate for the prior-year quarter ended December 31, 2013 was 13.0 to 1 compared to the current quarter ended December 31, 2014 rate of 13.9 to 1.

The following table presents selected summary financial data for our three month periods ended December 31, 2014 and 2013 (the "current quarter" and "prior-year quarter," respectively). This table, as well as the discussion that follows, should be read with the accompanying condensed consolidated financial statements and related notes.

	Three Months Ended December 31,		Percentage Change
	2014 As Restated	2013	
	(in thousands)		
Revenues:			
Merchandise sales	$109,639	$105,587	4 %
Jewelry scrapping sales	18,534	27,703	(33)%
Pawn service charges	64,927	64,133	1 %
Consumer loan fees and interest	58,847	55,204	7 %
Other revenues	871	1,129	(23)%
Total revenues	252,818	253,756	— %
Merchandise cost of goods sold	72,478	64,141	13 %
Jewelry scrapping cost of goods sold	14,675	20,020	(27)%
Consumer loan bad debt	22,050	18,188	21 %
Net revenues	143,615	151,407	(5)%
Income from continuing operations, net of tax	8,635	19,669	(56)%
Income (loss) from discontinued operations, net of tax	1,043	(2,735)	N/A
Net income	9,678	16,934	(43)%
Net loss from continuing operations attributable to redeemable noncontrolling interest	(1,934)	(1,796)	8 %
Net income attributable to EZCORP	$11,612	$18,730	(38)%
Net earning assets:			
Pawn loans	$150,930	$153,421	(2)%
Consumer loans, net	61,347	62,653	(2)%

Inventory, net	132,659	142,159	(7)%
Non-current consumer loans, net	78,362	78,686	— %
Consumer loans outstanding with unaffiliated lenders*	22,666	30,913	(27)%
Total net earning assets	$445,964	$467,832	(5)%

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* Consumer loans outstanding with unaffiliated lenders "CSO loans" are not recorded in our condensed consolidated balance sheets.

Net income from continuing operations, net of tax, was $8.6 million compared to $19.7 million during the prior-year quarter. This $11.0 million decrease was primarily attributable to the following:

- A$4.3 million decrease in merchandise sales gross profit primarily due to our efforts to reshape our inventory profile and increase the velocity of inventory;
- A $3.8 million decrease in jewelry scrapping sales gross profit primarily due to a decrease in proceeds realized per gram of gold jewelry scrapped coupled with a decrease in gold volume;
- A $0.3 million decrease in other revenues;
- A $7.0 million increase in interest expense primarily due to debt discount amortization pertaining to our 2.125% cash convertible senior notes due 2019, coupled with a higher weighted-average debt outstanding; and
- A $6.5 million decrease in gain on sale or disposal of assets primarily due to a prior-year quarter gain realized on the sale of seven U.S. pawn stores; partially offset by
- A $3.6 million increase in revenue related to consumer loan fees and interest primarily driven by consumer loan fees and interest from Grupo Finmart;
- A $7.4 million decrease in administrative expenses primarily due to one-time incentive bonus awards in the prior-year quarter of $2.2 million, coupled with a $2.1 million decrease in contract labor costs; and
- A $1.2 million decrease in income tax expense primarily due to a decrease in income from continuing operations, partially offset by an increase in the effective tax rate primarily due to elimination of the tax rate differential on discontinued foreign operations, a reduction of costs paid to offshore affiliates and lower non-U.S. undistributed earnings.

Total revenues were $252.8 million compared to $253.8 million in the prior-year quarter. Excluding jewelry scrapping sales, total revenues increased $8.2 million, or 4%, primarily driven by an increase in merchandise sales and consumer loan fees and interest.

Income from discontinued operations was $1.0 million in the current quarter compared to a loss of $2.7 million in the prior-year quarter primarily due to better-than-anticipated wind-down collection experience.

Net earning assets including our CSO loans decreased 5% from the prior-year quarter and were $446.0 million at current quarter end. This decrease was primarily driven by a decrease in consumer loans with unaffiliated lenders. Furthermore, inventory decreased 7% from the prior-year quarter due to our efforts to drive increased inventory turnover.

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U.S. & Canada

The following table presents selected summary financial data from continuing operations for the U.S. & Canada segment:

	Three Months Ended December 31,		Percentage Change
	2014 As Restated	2013	
	(in thousands)		
Revenues:			
Merchandise sales	$90,059	$88,890	1 %
Jewelry scrapping sales	17,127	25,925	(34)%
Pawn service charges	57,035	57,069	— %
Consumer loan fees and interest	42,532	45,750	(7)%
Other revenues	575	531	8 %
Total revenues	207,328	218,165	(5)%
Merchandise cost of goods sold	58,994	53,600	10 %
Jewelry scrapping cost of goods sold	13,414	18,570	(28)%
Consumer loan bad debt	14,310	14,183	1 %
Net revenues	120,610	131,812	(8)%
Segment expenses (income):			
Operations	84,763	86,567	(2)%
Depreciation	4,400	4,244	4 %
Amortization	71	103	(31)%
Loss (gain) on sale or disposal of assets	3	(6,318)	N/A
Interest expense	8	5	60 %
Interest income	(17)	—	N/A
Other expense	3	—	N/A
Segment contribution	$31,379	$47,211	(34)%
Other data:			
Gross margin on merchandise sales	34 %	40 %	(15)%
Gross margin on jewelry scrapping sales	22 %	28 %	(21)%
Gross margin on total sales	32 %	37 %	(14)%
Net earning assets — continuing operations	$298,951	$316,303	(5)%
Average pawn loan balance per pawn store at period end	$275	$288	(5)%
Average yield on pawn loan portfolio*	161 %	162 %	(1)%
Pawn loan redemption rate	83 %	83 %	— %
Consumer loan bad debt as a percentage of consumer loan fees	34 %	31 %	10 %

* Average yield on pawn loan portfolio is calculated as pawn service charge revenues for the period divided by the average pawn loan balance during the period.

The U.S. & Canada segment total revenues decreased $10.8 million from the prior-year quarter to $207.3 million. The overall decrease in total revenues was primarily due to an $8.8 million decrease in jewelry scrapping sales. Excluding jewelry scrapping sales, total revenues decreased $2.0 million, or 1%, primarily due to a $3.2 million decrease in consumer loan fees and interest, offset by a $1.2 million increase in merchandise sales. In the current quarter we opened ten de novo locations (consisting of five pawn locations and five financial services locations) bringing our total number of stores in the U.S. & Canada segment to 1,054, a 3% increase over the prior-year quarter. Subsequent to December 31, 2014, we signed a definitive agreement to acquire 12 additional pawn stores in the United States. See Note 18 of Notes to Interim Condensed Consolidated Financial Statements included in "Part I, Item 1 — Financial Statements."

Total merchandise sales increased $1.2 million, or 1%, from the prior-year quarter to $90.1 million. Same-store merchandise sales increased $0.7 million, or 1%, from the prior-year quarter, and new and acquired stores, net of closed stores contributed sales of $0.5 million. The same store increase is mostly due to a 4% increase in jewelry sales, partially offset by a 1% decrease

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in general merchandise sales. Gross margin was 34% during the current quarter, down from 40% in the prior-year quarter, primarily as a result of our efforts to reshape our inventory profile and increase the velocity of inventory. General merchandise inventory held for a year or more turned 3.2 times compared to 2.3 times in the prior-year quarter and aged inventory decreased 10%. Jewelry inventory held for a year or more turned 1.8 times compared to 0.8 times in the prior-year quarter and aged inventory decreased 17%. We will continue a concerted effort to improve the velocity of inventory and expect to further reduce aged inventory through the remainder of the fiscal year.

Gross profit on jewelry scrapping sales decreased $3.6 million, or 50%, from the prior-year quarter to $3.7 million. Jewelry scrapping revenues decreased $8.8 million, or 34%, due to a 10% decrease in proceeds realized per gram of gold jewelry scrapped coupled with a 29% decrease in gold volume. The decrease in volume was primarily due to a change in strategy to retail jewelry rather than scrap it in addition to an overall decline due to the market price of gold. Same-store jewelry scrapping sales decreased $8.7 million, or 34%, with the remaining decrease due to stores sold during the prior-year quarter. Jewelry scrapping sales include approximately $2.6 million and $3.3 million of loose diamonds removed from scrap jewelry and sold in the current quarter and prior-year quarter, respectively. Scrap cost of goods sold decreased $5.2 million from the prior-year quarter, primarily due to a decrease in volume.

Our current quarter pawn service charge revenues remained flat as compared to the prior-year quarter. There was a $0.4 million, or 1%, increase in same-store pawn service charges which was mostly offset by pawn service charges from stores sold in the prior-year quarter.

Consumer loan fees and interest decreased by $3.2 million, or 7%, from the prior-year quarter to $42.5 million. The overall decrease in consumer loan fees and interest was primarily due to a decrease in consumer loan balances in Texas ordinance cities, mainly Houston and El Paso. Total consumer loan bad debt as a percentage of consumer loan fees increased 10% primarily due to higher duration products attributable to new customers acquired which generated higher than anticipated bad debt. Houston and El Paso ordinances have been in effect for two quarters, and we expect the year-over-year comparable amounts for the next two quarters to show similar trends.

Total segment expenses increased to $89.2 million (43% of revenues) during the current quarter from $84.6 million (39% of revenues) in the prior-year quarter. This increase was primarily due to a prior-year quarter gain on sale or disposal of other assets of $6.3 million as a result of the gain realized on sale of seven U.S. pawn stores (three in Louisiana, two in Mississippi, one in Alabama and one in Florida), which reduced prior-year segment expenses.

In the current quarter, U.S. & Canada delivered a segment contribution of $31.4 million, a $15.8 million decrease compared to the prior-year quarter. In the current and prior-year quarter, the U.S. & Canada segment's contribution represented 115% of consolidated segment contribution, as there was a loss from the Latin America segment.

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Latin America

The following table presents selected summary financial data from continuing operations for the Latin America segment after translation to U.S. dollars from its functional currency of the Mexican peso:

	Three Months Ended December 31,		Percentage Change
	2014 As Restated	2013	
	(in thousands)		
Revenues:			
Merchandise sales	$19,580	$16,697	17 %
Jewelry scrapping sales	1,407	1,778	(21)%
Pawn service charges	7,892	7,064	12 %
Consumer loan fees and interest	16,315	9,454	73 %
Other revenues	296	598	(51)%
Total revenues	45,490	35,591	28 %
Merchandise cost of goods sold	13,484	10,541	28 %
Jewelry scrapping cost of goods sold	1,261	1,450	(13)%
Consumer loan bad debt	7,740	4,005	93 %
Net revenues	23,005	19,595	17 %
Segment expenses (income):			
Operations	18,931	18,794	1 %
Depreciation	1,391	1,459	(5)%
Amortization	419	617	(32)%
Loss on sale or disposal of assets	256	6	*
Interest expense	8,282	3,841	*
Interest income	(481)	(173)	*
Other expense (income)	612	(30)	(32)%
Segment loss	$(6,405)	$(4,919)	30 %
Other data:			
Gross margin on merchandise sales	31 %	37 %	(16)%
Gross margin on jewelry scrapping sales	10 %	18 %	(44)%
Gross margin on total sales	30 %	35 %	(14)%
Net earning assets — continuing operations	$146,950	$142,854	3 %
Average pawn loan balance per pawn store at period end	$53	$53	— %
Average yield on pawn loan portfolio*	199 %	205 %	(3)%
Pawn loan redemption rate	76 %	79 %	(4)%
Consumer loan bad debt as a percentage of consumer loan fees	47 %	42 %	12 %

* Average yield on pawn loan portfolio is calculated as pawn service charge revenues for the period divided by the average pawn loan balance during the period.

The average exchange rate used to translate Latin America's results from Mexican pesos to U.S. dollars was 13.9 to 1, which was 7% higher than the prior-year quarter's rate of 13.0 to 1. At the end of the current quarter, we had 314 stores in the Latin America segment, operating under various brands, including Empeño Fácil, Crediamigo, Adex and TUYO.

The Latin America segment's total revenues increased $9.9 million, or 28%, from the prior-year quarter to $45.5 million. On a constant currency basis, total revenues increased $14.6 million, or 43%, from the prior-year quarter. The overall increase in total revenues was due to a $6.9 million increase in consumer loan fees and interest, a $2.9 million increase in merchandise sales and a $0.8 million increase in pawn service charges, partially offset by a $0.4 million decrease in jewelry scrapping sales and a $0.3 million decrease in other revenue.

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Consumer loan fees and interest increased $6.9 million from the prior-year quarter to $16.3 million. On a constant currency basis, consumer loan fees and interest increased $9.5 million from the prior-year quarter. The increase was driven primarily by an increase in consumer loans at Grupo Finmart.

Merchandise sales increased $2.9 million, or 17%, while merchandise gross profit decreased $0.1 million, or 1%, respectively, from the prior-year quarter. On a constant currency basis, merchandise sales and gross profit increased $4.2 million, or 25%, and $0.4 million, or 6%, respectively, from the prior-year quarter. Gross margin was 31% during the current quarter, down from 37% in the prior-year quarter, primarily as a result of our efforts to reshape our inventory profile and increase the velocity of inventory. General merchandise inventory held for a year or more turned 3.2 times compared to 1.5 times in the prior-year quarter and aged inventory decreased 43%. We will continue a concerted effort to improve the velocity of inventory and expect to further reduce aged inventory through the remainder of the fiscal year.

Latin America's pawn service charge revenues increased $0.8 million, or 12%, from the prior-year quarter to $7.9 million. On a constant currency basis, pawn service charge revenues increased $1.4 million, or 19% from the prior-year quarter. This increase is attributable to an increase in same-store pawn service charges. The average yield on pawn loan portfolio declined to 199%.

Latin America's other revenues decreased $0.3 million, or 51%, from the prior-year quarter to $0.3 million. On a constant currency basis, other revenues decreased $0.3 million, or 47% from the prior-year quarter.

Total segment expenses increased to $29.4 million (65% of revenues) during the current quarter from $24.5 million (69% of revenues) in the prior-year quarter. The increase was primarily due to a $4.4 million increase in interest expense and a $0.6 million increase in other expenses. The increase in interest expense was primarily a result of consolidated VIE debt and a higher weighted-average debt outstanding as compared to the prior-year quarter, offset by a decrease in the weighted-average rate on Grupo Finmart's third party debt. The weighted-average rate on Grupo Finmart's third party debt, excluding the consolidated VIE debt, decreased to 9%, from 11% in the prior-year quarter. At December 31, 2014 Grupo Finmart had outstanding debt of $115.9 million, excluding the consolidated VIE debt, and $113.2 million of consolidated VIE debt. On a constant currency basis, total segment expenses increased to $31.4 million during the current quarter, or 28%, from $24.5 million in the prior-year quarter.

Net revenues increased $3.4 million and segment expenses increased $4.9 million from the prior-year quarter, resulting in a $1.5 million decrease in contribution for the Latin America segment from the prior-year quarter. On a constant currency basis, net revenues increased $5.0 million and segment expenses increased $6.9 million from the prior-year quarter, resulting in a $1.9 million decrease in contribution for the Latin America segment from the prior-year quarter.

The Latin America segment's net earning assets from continuing operations increased $4.1 million, or 3%, from the prior-year quarter primarily due to an increase in consumer loans outstanding. On a constant currency basis, net earning assets increased $22.0 million, or 15%, from the prior-year quarter.

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Other International

The following table presents selected summary financial data from continuing operations for the Other International segment:

	Three Months Ended December 31, 2014 (in thousands)	2013	Percentage Change
Segment income:			
Equity in net income of unconsolidated affiliates	$(2,194)	$(1,271)	73%
Other income	—	(29)	(100)%
Segment contribution	$2,194	$1,300	69%

Our equity in the net income of unconsolidated affiliates increased $0.9 million, 73%, from the prior-year quarter to $2.2 million. The increase was due to a $0.3 million decrease from Cash Converters International and a $1.2 million increase due to no reported earnings from Albemarle & Bond in the current quarter from a reported loss in the prior-year quarter.

Other Items

The following table reconciles our consolidated segment contribution discussed above to net income attributable to EZCORP, including items that affect our consolidated financial results but are not allocated among segments:

	Three Months Ended December 31, 2014 As Restated (in thousands)	2013	Percentage Change
Segment contribution	$27,168	$43,592	(38)%
Corporate expenses (income):			
Administrative	8,352	15,724	(47)%
Depreciation	1,782	1,637	9%
Amortization	967	645	50%
Loss on sale or disposal of assets	—	22	(100)%
Interest expense	3,744	1,205	211%
Interest income	(34)	(24)	42%
Other expense (income)	144	(109)	N/A
Income from continuing operations before income taxes	12,213	24,492	(50)%
Income tax expense	3,578	4,824	(26)%
Income from continuing operations, net of tax	8,635	19,668	(56)%
Income (loss) from discontinued operations, net of tax	1,043	(2,735)	N/A
Net income	9,678	16,933	(43)%
Net loss from continuing operations attributable to redeemable noncontrolling interest	(1,934)	(2,795)	(31)%
Net income attributable to EZCORP	$11,612	$19,728	(41)%

Total corporate expenses were $15.0 million compared to $19.1 million during the prior-year quarter. This $4.1 million decrease was primarily due to a $7.4 million decrease in administrative expenses, partially offset by a $2.5 million increase in interest expense. The decrease in administrative expenses was primarily due to one-time incentive bonus awards in the prior-year quarter of $2.2 million in addition to a $2.1 million decrease in contract labor costs as compared to the prior-year quarter. The increase in interest expense was primarily due to $2.1 million of debt discount amortization in the current quarter pertaining to our 2.125% cash convertible senior notes due 2019 issued in June 2014.

Consolidated income from continuing operations before income taxes decreased $12.3 million, or 50%, to $12.2 million primarily due to a $15.8 million decrease in contribution from the U.S. and Canada segment and a $1.5 million decrease in contribution from the Latin America segment, offset by a $0.9 million increase in contribution from the Other International segment and a $4.1 million decrease in corporate expenses.

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Liquidity and Capital Resources

Cash Flows

The table below presents a summary of the sources and uses of our cash:

	Three Months Ended December 31,		Percentage Change
	2014 As Restated (See Note 2)	2013	
	(in thousands)		
Cash flows from operating activities	$5,682	$13,491	(58)%
Cash flows from investing activities	(8,185)	(19,070)	(57)%
Cash flows from financing activities	27,232	9,102	N/A
Effect of exchange rate changes on cash and cash equivalents	(2,455)	66	N/A
Net increase in cash and cash equivalents	$22,274	$3,589	N/A

The decrease in cash flows from operations was primarily due a $4.3 million decrease changes in operating assets and liabilities, and a $1.0 million decrease in net income plus several non-cash items and $2.3 million in restructuring payments.

The increase in cash flows from investing activities was primarily due to a $10.4 million decrease in acquisitions, net of cash acquired, partially offset by a $12.1 million investment in Cash Converters International in order to maintain our equity ownership percentage in connection with a non-underwritten placement of shares and a $9.9 million decrease in proceeds from sale of assets, in addition to other normal, recurring changes.

The increase in cash flows from financing activities was primarily due to a $14.4 million increase in net proceeds from bank borrowings, a $3.1 million decrease in debt issuance costs and a $5.5 million decrease in deferred and contingent consideration, partially offset by a $6.0 million decrease in net proceeds from our revolving line of credit that was terminated in June 2014.

Total debt and capital lease obligations outstanding increased by $96.3 million, or 38%, to $462.2 million as compared to the prior-year quarter. This total amount includes the effects of consolidated VIE debt as discussed in further detail below. Of this amount, $115.9 million was non-recourse to EZCORP and the remaining debt was non-recourse and attributable to Grupo Finmart.

The net effect of these and other smaller items was a $22.3 million increase in cash on hand, providing a $77.6 million ending cash balance. Of the aforementioned ending cash balance, approximately 40%, or $31.9 million, is held by foreign subsidiaries and is not available to fund domestic operations as we intend to permanently reinvest earnings from foreign operations.

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Contractual Obligations

The table below presents a summary of our cash needs to meet future aggregate contractual obligations as of December 31, 2014:

	Payments due by Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	As Restated (See Note 2) (in thousands)				
Long-term debt obligations*	$458,982	$48,750	$107,155	$293,998	$9,079
Interest on long-term debt obligations**	67,910	19,122	32,003	16,785	—
Operating lease obligations***	292,053	57,543	91,804	52,620	90,086
Capital lease obligations	282	282	—	—	—
Interest on capital lease obligations	8	8	—	—	—
Deferred consideration	6,675	6,000	675	—	—
	$825,910	$131,705	$231,637	$363,403	$99,165

* Excludes debt premium related to Grupo Finmart and 2.125% cash convertible senior notes due 2019 embedded derivative and discount

** Future interest on long-term obligations calculated based on interest rates effective at the balance sheet date

*** Includes 13 year corporate office lease signed in December 2014 with initial rent payment due beginning February 2016 after a five month rent holiday, and ending March 2029. Annual rent escalates from $3.0 million at lease inception to $4.6 million in the terminal year of the lease. Lease includes two five year extension options at the end of the initial lease term.

In addition to the contractual obligations in the table above, we are obligated under letters of credit issued to unaffiliated lenders as part of our credit service operations. As of December 31, 2014, our maximum exposure for losses on letters of credit, if all brokered loans defaulted and none were collected, was $28.1 million. Of that total, $8.2 million was secured by titles to customers' automobiles. These amounts include principal, interest and insufficient funds fees.

In addition to the operating lease obligations in the table above, we are responsible for the maintenance, property taxes and insurance at most of our locations. In the fiscal year ended September 30, 2014, these collectively amounted to $22.8 million.

The operating lease obligations in the table above include expected rent for all our store locations through the end of their current lease terms. Of the 506 U.S. financial services stores, 215 adjoin a pawn store and are covered by the same lease agreement. The lease agreements at approximately 95% of the remaining 291 free-standing U.S. financial services stores contain provisions that limit our exposure for additional rent to only a few months if laws were enacted that had a significant negative effect on our operations at these stores. If such laws were passed, the space currently utilized by stores adjoining pawn stores could be re-incorporated into the pawn operations.

Sources of Cash

In June 2014, we issued $200.0 million aggregate principal amount of 2.125% cash convertible senior notes due 2019 (the "Convertible Notes"). We granted the initial purchasers the option to purchase up to an additional $30.0 million aggregate principal amount of Convertible Notes. On June 27, 2014, such option was exercised in full, and we issued the additional $30.0 million of Convertible Notes on July 2, 2014. All of the Convertible Notes were issued pursuant to an indenture dated June 23, 2014 (the "Indenture") by and between us and Wells Fargo Bank, National Association as the trustee. The Convertible Notes were issued in a private offering pursuant to Rule 144A under the Securities Act of 1933. The Convertible Notes pay interest semi-annually in arrears at a rate of 2.125% per annum on June 15 and December 15 of each year, commencing on December 15, 2014, and will mature on June 15, 2019 (the "Maturity Date"). Upon conversion or maturity, the Convertible Notes will be settled only in cash (including, in the case of conversion, an amount of cash representing the net value attributable to certain increases in the price of our Class A Non-voting Common Stock).

Prior to December 15, 2018, the Convertible Notes will be convertible only upon the occurrence of certain events and during certain periods, and thereafter, at any time prior to the close of business on the second scheduled trading day immediately preceding the Maturity Date, as described in the indenture. The Convertible Notes are convertible into cash based on an initial conversion rate of 62.2471 shares of Class A Non-voting Common Stock per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $16.065 per share of our Class A Non-voting Common Stock). The conversion rate will not be adjusted for any accrued and unpaid interest.

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We entered into hedges with counterparties to limit our exposure to the additional cash payments above the $230.0 million aggregate principal amount of the Convertible Notes that may be due to the holders upon conversion. In separate transactions, we sold warrants with a strike price of $20.83 per share.

The Convertible Notes are our unsubordinated unsecured obligations and rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment with all of our other unsecured unsubordinated indebtedness; and effectively junior to all debt or other obligations (including trade payables) of our wholly-owned subsidiaries.

As of December 31, 2014, the Convertible Notes are not convertible because the conversion conditions have not been met. Accordingly, the net balance of the Convertible Notes of $187.7 million is classified as a non-current liability on our condensed consolidated balance sheets as of December 31, 2014.

For an additional description of the Convertible Notes, the conversion terms thereof and the hedges and warrants transactions, see Note 7 "Long-term Debt and Capital Lease Obligations" in the notes to the condensed consolidated financial statements.

As of December 31, 2014, Grupo Finmart's third party debt (non-recourse to EZCORP), excluding debt consolidated under VIEs, was $115.9 million, with a weighted-average interest rate of 9%. Since the acquisition of Grupo Finmart in January 2012, Grupo Finmart's debt has increased $6.2 million, and its weighted-average interest rate has decreased 10 percentage points, due to debt refinancing. This refinancing effort was a key assumption in our investment analysis and will result in significantly reduced interest expenses going forward.

During fiscal 2014 and the quarter ended December 31, 2014, Grupo Finmart completed several transfers of consumer loans to consolidated VIEs. The debt outstanding from these transfers was $113.2 million as of December 31, 2014. For an additional description of these proceeds, see "Secured notes consolidated from VIE's" in Note 10 of Notes to Interim Condense Consolidated Financial Statement included in "Part I, Item 1 — Financial Statements."

The $115.9 million Grupo Finmart debt, excluding debt consolidated under VIEs, and $113.2 million debt consolidated under VIEs comprise the $229.1 million total debt outstanding of Grupo Finmart.

In July 2012 Grupo Finmart transferred certain consumer loans to a bankruptcy remote trust in a securitization transaction. The securitization borrowing facility had a maximum capacity of approximately $115.4 million. On February 17, 2014, Grupo Finmart repaid this facility and entered into a new securitization transaction to transfer collection rights of certain eligible consumer loans to a bankruptcy remote trust. As of December 31, 2014, $49.5 million was outstanding under the securitization borrowing facility. The trust received financing as a result of the issuance of debt securities and delivered the proceeds of the financing to Grupo Finmart. The unrestricted cash received from this borrowing in the amount of $31.3 million was primarily used to repay the previous securitization borrowing facility due in 2017 and the transaction costs associated with this transaction. The cash proceeds of approximately $18.2 million is restricted primarily for $15.8 million of collection rights on the additional eligible loans from Grupo Finmart, which Grupo Finmart expects to deliver to the trust within the next 12 months, and $2.4 million of interest and trust maintenance costs to be recovered at repayment. The restricted cash proceeds of $15.8 million are recourse to Grupo Finmart unless additional eligible loans are delivered within two-year period specified in the agreement. As a result of higher average debt outstanding and greater utilization of our revolver, we have experienced an increase in payments on bank borrowings and revolving line of credit. We expect Grupo Finmart to continue its use of borrowing facilities and proceeds from loan repayments to fund loan originations, operations and contractual obligations.

We anticipate that cash flow from operations and our cash on hand will be adequate to fund our contractual obligations, planned store growth, capital expenditures and working capital requirements during the remainder of the fiscal year.

Off-Balance Sheet Arrangements

We issue letters of credit to enhance the creditworthiness of our credit service customers seeking unsecured consumer loans and auto title loans from unaffiliated lenders. The LOCs assure the lenders that if borrowers default on the loans, we will pay the lenders, upon demand, the principal and accrued interest owed them by the borrowers plus any insufficient funds fees or late fees. We do not record on our condensed consolidated balance sheets the loans related to our credit services as the loans are made by unaffiliated lenders. We do not consolidate the unaffiliated lenders' results with our results as we do not have any ownership interest in the lenders, do not exercise control over them and do not otherwise meet the criteria for consolidation as prescribed by FASB ASC 810-10-25 regarding variable interest entities.

We include an allowance for expected LOC losses under "Accounts payable and other accrued expenses" on our condensed consolidated balance sheets. As of December 31, 2014 the allowance for expected LOC losses was $3.3 million. At that date,

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our maximum exposure for losses on letters of credit, if all brokered loans defaulted and none were collected, was $28.1 million. This amount includes principal, interest and insufficient funds fees.

We have no other off-balance sheet arrangements.

Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results

This Amended Quarterly Report on Form 10-Q/A, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, includes "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. We intend that all forward-looking statements be subject to the safe harbors created by these laws. All statements, other than statements of historical facts, regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives are forward-looking statements. These statements are often, but not always, made with words or phrases like "may," "should," "could," "will," "predict," "anticipate," "believe," "estimate," "expect," "intend," "plan," "projection" and similar expressions. Such statements are only predictions of the outcome and timing of future events based on our current expectations and currently available information and, accordingly, are subject to substantial risks, uncertainties and assumptions. Actual results could differ materially from those expressed in the forward-looking statements due to a number of risks and uncertainties, many of which are beyond our control. In addition, we cannot predict all of the risks and uncertainties that could cause our actual results to differ from those expressed in the forward-looking statements. Accordingly, you should not regard any forward-looking statements as a representation that the expected results will be achieved. Important risk factors that could cause results or events to differ from current expectations are identified and described in "Part II, Item 1A — Risk Factors" of this Amended Quarterly Report on Form 10-Q/A and "Part I, Item 1A — Risk Factors" of our Amended Annual Report on Form 10-K/A for the year ended September 30, 2014.

We specifically disclaim any responsibility to publicly update any information contained in a forward-looking statement except as required by law. All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risks relating to our operations result primarily from changes in interest rates, gold values and foreign currency exchange rates, and are described in detail in "Part II, Item 7A — Quantitative and Qualitative Disclosures about Market Risk" of our Amended Annual Report on Form 10-K/A for the year ended September 30, 2014. There have been no material changes to our exposure to market risks since September 30, 2014.

Item 4. Controls and Procedures

This Amended Quarterly Report on Form 10-Q/A includes the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 of the Securities Exchange Act of 1934 (the "Exchange Act"). See Exhibits 31.1 and 31.2. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Background

The Company recently completed a comprehensive review of our Grupo Finmart loan portfolio, and as a result of issues identified in that review, our Board of Directors, on the recommendation of the Audit Committee and in consultation with management and our independent registered public accounting firms, concluded that our previously issued financial statements for fiscal 2014, 2013 and 2012 (including the interim periods within those years, other than the first quarter of fiscal 2012) and the unaudited financial statements for the first quarter of fiscal 2015 should no longer be relied upon because of certain accounting errors in those financial statements. Accordingly, we have restated our previously issued financial statements for those periods. See “Part I, Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Grupo Finmart Portfolio Review and Restatement” and Note 2 of Notes to Interim Condensed Consolidated Financial Statements included in “Part I, Item 1 — Financial Statements.”

As a result of management’s review of the Grupo Finmart portfolio issues, we have identified deficiencies in our internal controls which are discussed more fully below. Those deficiencies failed to prevent or detect accounting errors, which led to the restatement described above. The deficiencies, collectively, represent material weaknesses in our internal control over financial reporting and require corrective and remedial actions.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934) are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of our original Quarterly Report on Form 10-Q for the quarter ended December 31, 2014, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer at that time, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2014. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer at that time concluded that our disclosure controls and procedures were effective as of December 31, 2014.

In connection with the preparation of this Amended Quarterly Report on Form 10-Q/A, our management, under the supervision and with the participation of our current Chief Executive Officer and Chief Financial Officer, reevaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2014. Based on that reevaluation, our current Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2014 due to the existence of the material weaknesses in internal control over financial reporting described below (which we view as an integral part of our disclosure controls and procedures). Based on the completion of the review of the Grupo Finmart loan portfolio and the performance of additional procedures designed to ensure the reliability of our financial reporting, we believe that the interim condensed consolidated financial statements included in this Amended Quarterly Report on Form 10-Q/A fairly present, in all material respects, our financial position, results of operations and cash flows as of the date, and for the period, presented, in conformity with U.S. GAAP.

Management's Evaluation of Internal Control Over Financial Reporting

Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of our internal control over financial reporting. Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d(f) under the Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, (c) provide reasonable assurance that receipts and expenditures are being made only in accordance with appropriate authorization of management and the Board of Directors, and (d) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

In connection with the preparation of our original Annual Report on Form 10-K for the year ended September 30, 2014, we presented a Management's Report on Internal Control Over Financial Reporting in which our Chief Executive Officer and Chief Financial Officer at the time concluded that our internal control over financial reporting was effective as of September 30, 2014. In connection with the preparation of our Amended Annual Report on Form 10-K/A for the fiscal year ended September 30, 2014, our management, under the supervision and with the participation of our current Chief Executive Officer and Chief Financial Officer, reevaluated the effectiveness of our internal control over financial reporting as of September 30, 2014, and concluded that we did not maintain effective internal control over financial reporting as of September 30, 2014 due to the identification of material weaknesses. See "Part II, Item 9A — Controls and Procedures — Management's Report on Internal Control Over Financial Reporting (Revised)" in our Amended Annual Report on Form 10-K for the year ended September 30, 2014. For the same reasons, management also has concluded that we did not maintain effective internal control over financial reporting as of September 30, 2013 or September 30, 2012.

Management identified a number of deficiencies in the design and operating effectiveness of the Company’s internal controls as of September 30, 2014 that represent material weaknesses in our internal control over financial reporting. These deficiencies are the result of management’s failure to design, implement and maintain adequate operational and internal controls and processes to (1) identify complex transactions requiring specialized accounting expertise and other financial reporting requirements and (2) monitor and report the performance of the Grupo Finmart loan portfolio.

The deficiencies in our internal control over financial reporting resulted in the accounting errors that led to the restatement of previously issued financial statements. See "Part I, Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Grupo Finmart Portfolio Review and Restatement" and Note 2 of Notes to Interim Condensed Consolidated Financial Statements included in "Part I, Item 1 — Financial Statements."

For a complete description of the identified material weaknesses and the control and other deficiencies that contributed to them, see "Part II, Item 9A — Controls and Procedures" in our Amended Annual Report on Form 10-K/A for the year ended September 30, 2014.

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Remediation Plan

Our management is in the process of designing and implementing remediation efforts intended to address the material weaknesses discussed above. These remediation efforts will be focused on:

- Establishing and maintaining appropriate operational and risk assessment processes, as well as transactional controls, at both the Grupo Finmart and EZCORP level in order to (1) ensure engagement and utilization of appropriately qualified U.S. GAAP experts where required and (2) provide appropriate access and visibility to loan performance information;
- Hiring additional internal resources and improving the organizational structure; and
- Enhancing the overall control environment within both EZCORP and Grupo Finmart.

Management, under the supervision of the Audit Committee, will develop a comprehensive remediation plan, including a detailed plan and timetable for implementation, and will report regularly to the Audit Committee regarding the status of the implementation activities.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2014 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting, as the material weaknesses described above had not yet been identified by management.

Inherent Limitations on Internal Controls

Notwithstanding the foregoing, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Limitations inherent in any control system include the following:

- Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes.
- Controls can be circumvented by individuals, acting alone or in collusion with others, or by management override.
- The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.
- Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures.
- The design of a control system must reflect the fact that resources are constrained, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are currently subject to various litigation and regulatory actions. In addition to the matters described in Notes 11 and 18 of Notes to Interim Condensed Consolidated Financial Statements included in "Part I, Item 1 — Financial Statements," we are from time to time subject to other legal and regulatory actions, including the following:

- CFPB — In February 2014, we received a Civil Investigative Demand ("CID") from the Consumer Financial Protection Bureau ("CFPB"). The CID requested us to produce documents and provide answers to written questions. We submitted all information requested by this CID. In October 2014, we received a follow-up CID requesting additional information regarding certain of the matters addressed in the initial CID, and since then, the CFPB has taken oral testimony from Company representatives and has requested certain follow-up information. We continue to cooperate fully with the CFPB in its investigation. To date, no claims have been asserted by the CFPB as a result of our responses, although there can be no assurance that the CFPB will not assert claims, including that one or more of

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our historical practices constitute "unfair, deceptive or abusive acts or practices" ("UDAAP"), as defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any such claim could require us to pay fines, penalties and/or customer restitution, or could result in changes to our business practices to address the claims asserted. For update information regarding this matter subsequent to December 31, 2014, see Note 18 of Notes to Interim Condensed Consolidated Financial Statements included in "Part I, Item 1 — Financial Statements."

- FCA — In the course of evaluating and preparing our Cash Genie business (our U.K. online lending business, which we discontinued in October 2014) for compliance with new guidelines and rules issued by the Financial Conduct Authority ("FCA"), we noted three issues primarily related to our legacy business and self-reported those to the FCA in June 2014 and have been in regular dialog with the FCA regarding those issues since. In July 2014, we agreed to the imposition of a Voluntary Requirement formalizing our commitment to review and evaluate the issues under the oversight of an independent "skilled person" appointed by the FCA to determine whether customers have been adversely affected by those issues and, if so, to assess the redress that would be appropriate. Grant Thornton was selected as the skilled person to oversee the process (referred to as a "section 166 process"), which commenced in November 2014. The section 166 process is ongoing, and at this point, we are unable to determine whether resolution of this matter will have a material adverse effect on our results of operations. For update information regarding this matter subsequent to December 31, 2014, see Note 18 of Notes to Interim Condensed Consolidated Financial Statements included in "Part I, Item 1 — Financial Statements."

We are unable to determine the ultimate outcome of any current litigation or regulatory actions. These matters are subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or an injunction prohibiting us from conducting our business as we currently do. Any unfavorable ruling or outcome could have a material adverse effect on our results of operations and could negatively affect our reputation.

We have procured management liability insurance policies that should protect us from much of the potential exposure related to the shareholder derivative litigation and the federal securities litigation described in Note 11 of "Part I, Item 1 — Condensed Consolidated Financial Statements and Supplementary Data." However, under the terms of those policies, we bear the first $1 million of costs or liability associated with those actions. Consequently, we expect that our results of operations will be adversely affected by the current litigation until we exhaust the retention under our management liability insurance policies. In addition, to the extent that our ultimate liability in the current litigation or any subsequent litigation that is included in the same policy year exceeds the management liability policy limits, our results of operations could be adversely affected.

Item 1A. Risk Factors

Important risk factors that could affect our operations and financial performance, or that could cause results or events to differ from current expectations, are described in "Part I, Item 1A — Risk Factors" of our Amended Annual Report on Form 10-K/A for the year ended September 30, 2014. These factors are further supplemented by those discussed in "Part II, Item 7A — Quantitative and Qualitative Disclosures about Market Risk" of our Amended Annual Report on Form 10-K/A for the year ended September 30, 2014 and in “Part I, Item 3 — Quantitative and Qualitative Disclosures about Market Risk” and "Part II, Item 1 — Legal Proceedings" of this Amended Quarterly Report on Form 10-Q/A.

Item 5. Other Information

The following disclosure is not required. However, we are providing this information on a voluntary basis in the interest of transparency to investors.

In December 2014, Phillip E. Cohen, the beneficial owner of all of our outstanding Class B Voting Common Stock, made a $550,000 personal loan to Stuart I. Grimshaw, our Chief Executive Officer. The loan bears interest at the rate of 4.5% per annum and is due to be repaid in 12 months. The Company had no involvement in this personal transaction between Mr. Grimshaw and Mr. Cohen.

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Item 6. Exhibits

The following exhibits are filed with, or incorporated by reference into, this report.

Exhibit No.	Description of Exhibit
31.1*	Certification of Stuart I. Grimshaw, Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Mark S. Ashby, Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certifications of Stuart I. Grimshaw, Chief Executive Officer, and Mark S. Ashby, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB***	XBRL Taxonomy Label Linkbase Document
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

*** Filed herewith as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of December 31, 2014 (As Restated), December 31, 2013 and September 30, 2014; (ii) Condensed Consolidated Statements of Operations for the three months ended December 31, 2014 (As Restated) and December 31, 2013; (iii) Condensed Consolidated Statements of Comprehensive (Loss) Income for the three months ended December 31, 2014 (As Restated) and December 31, 2013 (iv) Condensed Consolidated Statements of Cash Flows for the three months ended December 31, 2014 (As Restated) and December 31, 2013; and (v) Notes to Interim Condensed Consolidated Financial Statements.

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SIGNATURES

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

EZCORP

Date: November 9, 2015

/s/ Mark S. Ashby
Mark S. Ashby,
Chief Financial Officer
(principal financial and accounting officer)

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