

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
- - - ACT OF 1934 [FEE REQUIRED]  
For the fiscal year ended July 31, 1997, or  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
- - - EXCHANGE ACT OF 1934 [NO FEE REQUIRED]  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 0-19133

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

Delaware 75-2237318  
(state or other jurisdiction of (IRS Employer Identification Number)  
incorporation or organization)

690 East Lamar Blvd., Suite 400  
Arlington, Texas 76011  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (817) 460-3947

Securities registered pursuant to Section 12(b) of the Act:  
None

Securities registered pursuant to Section 12(g) of the Act:  
Common Stock, par value \$.01 per share

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

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

The aggregate market value of the voting stock held by nonaffiliates of the  
registrant, based upon the last reported sales price on the Nasdaq Stock Market  
on October 6, 1997 is \$36,243,935. As of October 6, 1997, there were 4,460,792  
shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Company's Proxy Statement in connection with its Annual Meeting of  
Stockholders to be held on December 16, 1997 is incorporated by reference in  
Part III, Items 10, 11, 12 and 13.

FIRST CASH, INC.  
FORM 10-K  
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For the Fiscal Year Ended July 31, 1997

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PART I  
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Item 1. Business  
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General  
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First Cash, Inc. (the "Company") is the third largest publicly traded pawnshop operator in the United States and currently has 60 stores in Texas, Oklahoma, Washington, D.C. and Maryland. The Company engages in both consumer finance and retail sales activities. The Company provides a convenient source for consumer loans, lending money against pledged tangible personal property such as jewelry, electronic equipment, tools, firearms, sporting goods and musical equipment. The Company also functions as a retailer of previously-owned merchandise acquired in forfeited pawn transactions and over-the-counter purchases from customers, as well as new merchandise acquired in close-out purchases. For the fiscal year ended July 31, 1997, the Company's revenues were derived 66% from retail activities, 33% from lending activities, and 1% from other income, including management fee revenue. The Company provides its customer base timely and convenient access to short-term credit not generally available from commercial banks, finance companies or other financial institutions.

In addition to operating its own stores, the Company also receives management fees for managing pawnshops owned by third parties. As of July 31, 1997, the Company managed seven such stores. These third parties own and provide 100% of the financing for the pawnshops, and incur all direct costs to operate the pawnshops, including but not limited to payroll, store operating expenses, cost of inventory, and pawn loans. The Company receives a monthly management fee for each store managed, and provides computer support, accounting, auditing, oversight and management of these stores.

Management believes the pawnshop industry is highly fragmented with approximately 15,000 stores in the United States and is in the early stages of achieving greater efficiencies through consolidation. The four publicly traded pawnshop companies operate less than 5% of the total pawnshops in the United States. Management believes significant economies of scale, increased operating efficiencies, and revenue growth are achievable by increasing the number of stores under operation and introducing modern merchandising techniques, point of-sale systems, improved inventory management and store remodeling. The Company's objectives are to increase consumer loans and retail sales through selected acquisitions and new store openings and to enhance operating efficiencies and productivity. During fiscal 1997, 1996 and 1995, the Company added 7, 7 and 7 stores to its network, respectively, net of stores consolidated.

The Company was formed as a Texas corporation in July 1988 and in April 1991 the Company reincorporated as a Delaware corporation. Except as otherwise indicated, the term "Company" includes its wholly owned subsidiaries, American Loan & Jewelry, Inc. and Famous Pawn, Inc. The Company's principal executive offices are located at 690 East Lamar Blvd., Suite 400, Arlington, Texas 76011, and its telephone number is (817)460-3947.

Industry  
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The pawnshop industry in the United States is a growing industry, with the highest concentration being in the Southeast and Southwest. The operation of pawnshops is governed primarily by state laws, and accordingly, states that maintain pawn laws most conducive to profitable operations have historically seen the greatest development of pawnshops. The Company believes that the majority of pawnshops are owned by individuals operating one to three locations. Management further believes that the highly fragmented nature of the industry is due among other factors to the lack of qualified management personnel, the

difficulty of developing adequate financial controls and reporting systems, and the lack of financial resources.

In recent years, several operators have begun to develop multi-unit chains through acquisitions and new store openings. As of October 6, 1997, the four publicly traded pawnshop companies operated approximately 650 stores in the United States. Accordingly, management believes that the industry is in the early stages of consolidation.

#### Business Strategy

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The Company's business plan is to continue a growth strategy of expansion through selected acquisitions and new store openings and to enhance operating efficiencies and productivity at both newly acquired and existing stores.

#### Acquisitions and New Store Openings

Because of the highly fragmented nature of the pawnshop industry and the availability of "mom & pop" sole proprietor pawnshops willing to sell their stores, the Company believes that acquisition opportunities as well as favorable new store locations exist. Therefore, the Company intends to expand through a combination of acquisitions and start-up stores.

The timing of any future acquisitions is based on identifying suitable stores and purchasing them on terms that are viewed as favorable to the Company. Before making an acquisition, management typically studies a demographic analysis of the surrounding area, considers the number and size of competing stores, and researches regulatory issues. Specific store acquisition criteria include an evaluation of the volume of annual loan transactions, outstanding loan balances, historical redemption rates, the quality and quantity of inventory on hand, and location and condition of the facility, including lease terms.

The Company has opened nine new stores since its inception and currently intends to open additional stores in locations where management believes appropriate demand and other favorable conditions exist. Management seeks to locate new stores where demographics are favorable and competition is limited. It is the Company's experience that after a suitable location has been identified and a lease and licenses are obtained, a new store can be ready for business within six weeks. The investment required to open a new store includes inventory, funds available for pawn loans, store fixtures, security systems, and computer equipment. Although the total investment varies and is difficult to predict for each location, it has been the Company's experience that between \$200,000 and \$300,000 is required to fund a new store for the first six months of operation. Because existing stores already have an established customer base, loan portfolio, and retail-sales business, acquisitions generally contribute more quickly to revenues than do start-up stores.

#### Store Clusters

Whether acquiring an existing store or opening a new store, the Company seeks to establish clusters of several stores in a specific geographic area in order to achieve certain economies of scale relative to supervision, purchasing and marketing. In Texas, such clusters have been established in the Dallas/Fort Worth metropolplex, the Rio Grande Valley and the Corpus Christi areas. Store clusters have also been established in the Oklahoma City, Oklahoma area, Washington D.C. and its surrounding Maryland suburbs, and in Baltimore, Maryland. The Company currently plans to continue its expansion in existing markets in Texas and Maryland, and to enter new markets in other states with favorable demographics and regulatory environments.

#### Enhance Productivity of Existing and Acquired Stores

The primary factors affecting the profitability of the Company's existing store base are the level of loans outstanding, the volume of retail sales and gross profit on retail sales, and the control of store expenses. To increase customer traffic, which management believes is a key determinant to increasing its stores' profitability, the Company has taken several steps to distinguish its stores from traditional pawnshops and to make customers feel more comfortable with the pawn-shopping experience. In addition to well-lit parking facilities, several of the stores' exteriors display an attractive and distinctive blue and yellow awning similar to those used by contemporary convenience and video rental stores. The Company also has upgraded or refurbished the interior of certain of its stores and improved merchandise presentation by categorizing items into departments, improving the lighting and installing better in-store signage.

#### Operating Controls

The Company has an organizational structure that it believes is capable of supporting a larger, multi-state store base. Moreover, the Company has installed an employee training program for both store and corporate-level personnel that stresses productivity and professionalism. Each store is monitored on a daily basis from corporate headquarters via an online, real-time computer network, and the Company has strengthened its operating and financial controls by increasing its internal audit staff as well as the frequency of store audit visits. Management believes that the current operating and financial controls and systems are adequate for the Company's existing store base and can accommodate reasonably foreseeable growth in the near-term.

#### Lending Activities

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The Company loans money against the security of pledged goods. The pledged goods are tangible personal property generally consisting of jewelry, electronic equipment, tools, firearms, sporting goods and musical equipment. The pledged goods provide security to the Company for the repayment of the loan, as pawn loans cannot be made with personal liability to the borrower. Therefore, the Company does not investigate the creditworthiness of the borrower, relying instead on the marketability and sale value of pledged goods as a basis for its credit decision. The Company contracts for a pawn service charge in lieu of interest to compensate it for the loan. The statutory service charges on loans at its Texas stores range from 12% to 240% on an annualized basis depending on the size of the loan, and from 36% to 240% on an annualized basis at the Company's Oklahoma stores. Loans made in the Maryland stores bear service charges of 144% to 240% on an annualized basis. In Washington, D.C., a flat \$5 charge per month applies to all loans of up to \$40, and a 60% annualized service charge applies to loans of greater than \$40. As of July 31, 1997, the Company's average loan per pawn ticket was approximately \$83. Pawn service charges during fiscal 1997, 1996 and 1995 accounted for approximately 61%, 62% and 61%, respectively, of the Company's total revenues (net of cost of goods sold).

At the time a pawn transaction is entered into, a pawn loan agreement, commonly referred to as a pawn ticket, is delivered to the borrower that sets forth, among other items, the name and address of the pawnshop, borrower's name, borrower's identification number from his/her driver's license or other identification, date, identification and description of the pledged goods, including applicable serial numbers, amount financed, pawn service charge, maturity date, total amount that must be paid to redeem the pledged goods on the maturity date, and the annual percentage rate.

The amount the Company is willing to finance typically is based on a percentage of the estimated sale value of the collateral. There are no minimum or maximum loan to fair market value restrictions in connection with the Company's lending activities. The basis for the Company's determination of the sale value include such sources as catalogs, blue books and newspapers. The Company also utilizes its computer network to recall recent selling prices of similar merchandise in its own stores. These sources, together with the employees' experience in selling similar items of merchandise in particular stores, influence the determination of the estimated sale value of such items. The Company does not utilize a standard or mandated percentage of estimated sale value in determining the amount to be financed. Rather, the employee has the authority to set the percentage for a particular item and to determine the ratio of loan amount to estimated sale value with the expectation that, if the item is forfeited to the pawnshop, its subsequent sale should yield a gross profit margin consistent with the Company's historical experience. It is the Company's policy to value merchandise on a conservative basis to avoid the risks associated with over-valuation. The pledged property is held through the term of the loan, which is 30 days in Texas, Oklahoma and Maryland, with an automatic extension period of 15 to 60 days depending on state laws, unless the loan is earlier paid or renewed. In Washington, D.C., pledged property is held through the term of the loan which is 120 days. Historically, approximately 70% of loans made have either been paid in full or renewed. In the event the borrower does not pay or renew a loan within 90 days in Texas, 60 days in Oklahoma, 45 days in Maryland and 120 days in Washington, D.C., the unredeemed collateral is forfeited to the Company and becomes inventory available for general liquidation or sale in one of the Company's stores. The Company does not record loan losses or charge-offs because if the loan is not paid, the principal amount loaned plus the 30 days of accrued pawn service charges becomes the carrying cost of the forfeited collateral ("inventory") that is recovered by sale.

The recovery of the principal and accrued pawn service charge as well as realization of gross profit on sales of inventory is dependent on the Company's initial assessment of the property's estimated sale value. Improper assessment of the sale value of the collateral in the lending function can result in reduced marketability of the property and sale of the property for an amount less than the principal plus accrued pawn service charge. For fiscal 1997, 1996 and 1995, the Company's annualized yield on average loan balance was 134%, 137% and 137%, respectively.

Retail Activities

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The Company acquires merchandise inventory primarily through forfeited pawn loans and purchases of used goods from the general public, and to a lesser extent, purchases of new goods from vendors. New goods consist primarily of merchandise which complements certain product lines, such as jewelry and tools. Sales of inventory during fiscal 1997, 1996 and 1995 accounted for approximately 66.0%, 65.3% and 64.3%, respectively, of the Company's total revenues for these periods. For fiscal 1997, 1996 and 1995, the Company realized gross profit margins on merchandise sales of 31.0%, 32.7% and 34.1%, respectively.

By operating multiple stores, the Company is able to transfer inventory between stores to best meet consumer demand. The Company has established the necessary internal financial controls to implement such inter-store transfers.

Merchandise acquired by the Company through defaulted pawn loans is carried in inventory at the amount of the related pawn loan plus service charges accrued for the initial 30-day term. Management believes that this practice lessens the likelihood that the Company will incur significant, unexpected inventory devaluations.

The Company does not provide financing to purchasers of its merchandise nor does it give the prospective buyer any warranties on the merchandise purchased. Nevertheless, the Company may, at its discretion, refund purchases if merchandise is returned because it was damaged or not in good working order when purchased. The Company permits its customers to purchase inventory on a "layaway" plan. Should the customer fail to make a required payment, the item is returned to inventory and previous payments are forfeited to the Company.

Pawnshop Operations

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The typical Company store is a free-standing building or part of a small retail strip shopping center with adequate, well-lit parking. Management has established a standard store design intended to distinguish the Company's stores from the competition. The design consists of a well-illuminated exterior with a distinctive blue and yellow awning and a layout similar to a contemporary convenience store or video rental store. The Company's stores are typically open six to seven days a week from 9:00 a.m. to between 6:00 p.m. and 9:00 p.m.

The Company's computer system permits a store manager or clerk to recall rapidly the cost of an item in inventory, the date it was purchased as well as the prior transaction history of a particular customer. It also facilitates the timely valuation of goods by showing values assigned to similar goods in the past. The Company has networked its stores to permit the Company's headquarters to more efficiently monitor each store's operations, including sales, interest income, loans written and redeemed, and changes in inventory.

The Company attempts to attract retail shoppers seeking bargain prices through the use of seasonal promotions, special discounts for regular customers, prominent display of impulse purchase items such as jewelry and tools, tent sales and sidewalk sales, and a layaway purchasing plan. The Company attempts to attract and retain pawn loan customers by lending a competitively large percentage of the estimated sale value of items presented for pledge and by providing quick loan, renewal and redemption service in an appealing atmosphere.

As of October 6, 1997, the Company operated stores in the following markets:

	Number of Locations
	-----
Texas:	
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Corpus Christi.....	5
Dallas/Fort Worth metropolitan area.....	17
South Texas (Brownsville/McAllen/ Harlingen/Weslaco/Pharr).....	9
Tyler.....	1
	--
	32
	--
Oklahoma:	
-----	
Oklahoma City.....	5
	--
	5
	--
Mid Atlantic:	

Baltimore, Maryland.....	7
Washington, D.C. and surrounding Maryland suburbs.....	16
	--
	23
	--
Total.....	60
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Each pawnshop employs a manager, one or two assistant managers, and between one and eight sales personnel, depending upon the size, sales volume and location of the store. The store manager is responsible for supervising personnel and assuring that the store is managed in accordance with Company guidelines and established policies and procedures. Each manager reports to an area supervisor who typically oversees three to five store managers. Each area supervisor reports to one of three regional vice-presidents. The Company's fourteen area supervisors and regional vice-presidents have an average of seven years experience in the pawn industry.

The Company believes that its profitability is dependent, among other factors, upon its employees' ability to make loans that achieve optimum redemption rates, to be effective sales people and to provide prompt and courteous service. Therefore, the Company trains its employees through direct instruction and on-the-job loan and sales experience. The new employee is introduced to the business through an orientation and training program that includes on-the-job training in lending practices, layaways, merchandise valuation and general administration of store operations. Certain experienced employees receive training and an introduction to the fundamentals of management to acquire the skills necessary to advance into management positions within the organization. Management training typically involves exposure to income maximization, recruitment, inventory control and cost efficiency. The Company maintains a performance-based compensation plan for all store employees, based, among other factors, on sales, gross profits and special promotional contests.

Competition  
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The Company encounters significant competition in connection with all aspects of its business operations. These competitive conditions may adversely affect the Company's revenues, profitability and ability to expand.

The Company, in connection with lending money, competes primarily with other pawnshops. The pawnshop industry is characterized by a large number of independent owner-operators, some of whom own and operate multiple pawnshops. The Company believes that the primary elements of competition in the pawnshop business are store location, the ability to lend competitive amounts on items pawned, customer service, and management of store employees. In addition, the Company competes with financial institutions, such as consumer finance companies, which generally lend on an unsecured as well as on a secured basis. Other lenders may and do lend money on terms more favorable than those offered by the Company. Many of these competitors have greater financial resources than the Company.

In its retail operations, the Company's competitors include numerous retail and wholesale stores, including jewelry stores, gun stores, discount retail stores, consumer electronics stores and other pawnshops. Competitive factors in the Company's retail operations include the ability to provide the customer with a variety of merchandise items at attractive prices. Many retailers have significantly greater financial resources than the Company.

In addition, the Company faces competition in its acquisition program. There are several other publicly held pawnshop companies, including Cash America International, Inc. and EZCORP, Inc., that have announced active expansion and acquisition programs as well. Management believes that the increased competition for attractive acquisition candidates may increase acquisition costs.

Regulation  
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The Company is subject to extensive regulation, supervision and licensing under various federal, state and local statutes, ordinances and regulations.

Texas

Pursuant to the terms of the Texas Pawnshop Act, the Texas Consumer Credit Commission ("TCCC") has primary responsibility for the regulation of pawnshops and enforcement of laws relating to pawnshops in Texas.

The Texas Pawnshop Act prescribes the stratified loan amounts and the maximum allowable pawn service charges which pawnbrokers in Texas may charge for the lending of money within each stratified range of loan amounts. The maximum allowable pawn service charges were established and have not been revised since 1971 when the Texas Pawnshop Act was enacted. Since 1981, the ceiling amounts for stratification of the loan amounts to which those rates apply have been revised and will continue to be reviewed and be subject to annual revision on July 1 in relation to the Consumer Price Index. These rates are reviewed and established annually. The Texas Pawnshop Act also prescribes the maximum allowable pawn loan, which is currently \$11,250. The maximum allowable pawn service charges under the Texas Pawnshop Act for the various loan amounts for the previous and current year are as follows:

Year Ended June 30, 1997		Year Ending June 30, 1998	
Amount Financed Per Pawn Loan	Maximum Allowable Annual Percentage Rate	Amount Financed Per Pawn Loan	Maximum Allowable Annual Percentage Rate
\$ 1 to \$ 132	240%	\$ 1 to \$ 135	240%
\$ 133 to \$ 440	180%	\$ 136 to \$ 450	180%
\$ 441 to \$ 1,320	30%	\$ 451 to \$ 1,350	30%
\$ 1,321 to \$11,000	12%	\$ 1,351 to \$11,250	12%

In addition to establishing maximum allowable service charges and loan ceilings, the Texas Pawnshop Act also provides for the licensing of pawnshops and pawnshop employees. To be eligible for a pawnshop license in Texas, an applicant must (i) be of good moral character, (ii) maintain net assets, as defined in the Texas Pawnshop Act, of at least \$150,000 readily available for use in conducting the business of each licensed pawnshop, (iii) show that the pawnshop will be operated lawfully and fairly in accordance with the Texas Pawnshop Act, and (iv) show that the applicant has the financial responsibility, experience, character and general fitness to command the confidence of the public in its operations. In the case of a business entity, the good moral character requirements apply to each officer, director and holder of 5% or more of the entity's outstanding shares.

As part of the license application process, any existing pawnshop licensee who would be affected by the granting of the proposed application may request a public hearing at which to appear and present evidence for or against the application. For an application for a new license in a county with a population of 250,000 or more, the TCCC must find not only that the applicant meets the other requirements for a license, but also that (i) there is a public need for the proposed pawnshop and (ii) the volume of business in the community in which the pawnshop will conduct business indicates that a profitable operation is probable.

The TCCC may, after notice and hearing, suspend or revoke any license for a Texas pawnshop upon finding, among other things, that (i) any fees or charges have not been paid; (ii) the licensee violates (whether knowingly or without the exercise of due care) any provision of the Texas Pawnshop Act or any regulation or order thereunder; or (iii) a fact or condition exists which, if it had existed at the time the original application was filed for a license, would have justified the TCCC in refusing such license.

Under the Texas Pawnshop Act, a pawnbroker may not accept a pledge from a person under the age of 18 years; make any agreement requiring the personal liability of the borrower; accept any waiver of any right or protection accorded a pledgor under the Texas Pawnshop Act; fail to exercise reasonable care to protect pledged goods from loss or damage; fail to return pledged goods to a pledgor upon payment of the full amount due; make any charge for insurance in connection with a pawn transaction; enter into any pawn transaction that has a maturity date of more than one month; display for sale in storefront windows or sidewalk display cases, pistols, sword canes, blackjacks, and certain other types of knives and similar weapons; or purchase used or second hand personal property or accept building construction materials as pledged goods unless a record is established containing the name, address and identification of the seller, a complete description of the property, including serial number, and a signed statement that the seller has the right to sell the property.

#### Oklahoma

In Oklahoma, the maximum allowable service charge was established in 1972 when the Oklahoma Pawnshop Act was enacted. Under current Oklahoma law, a pawn loan may not exceed \$25,000. The maximum allowable pawn service charges under the Oklahoma Pawnshop Act for the various loan amounts are currently as follows:

Amount Financed Per Pawn Loan -----	Maximum Allowable Annual Percentage Rate -----
\$ 1 to \$ 150	240%
\$ 151 to \$ 250	180%
\$ 251 to \$ 500	120%
\$ 501 to \$ 1,000	60%
\$ 1,001 to \$25,000	36%

In addition to establishing maximum allowable service charge and loan ceilings, the Oklahoma Pawnshop Act also provides for the licensing of pawnshops. To be eligible for a pawnshop license in Oklahoma, an applicant must (i) be of good moral character, (ii) maintain net assets, as determined by the Oklahoma Administrator of Consumer Affairs ("OACA"), of at least \$25,000, (iii) show that the pawnshop will be operated lawfully and fairly in accordance with the Oklahoma Pawnshop Act, and (iv) not have been convicted of any felony which directly relates to the duties and responsibilities of the occupation of pawnbroker.

The OACA may, after notice and hearing, suspend or revoke any license for an Oklahoma pawnshop upon finding, among other things, that (i) any fees or charges imposed by the OACA have not been paid; (ii) the licensee violates (whether knowingly or without exercise of due care) any provision of the Oklahoma Pawnshop Act or any regulation or order thereunder; or (iii) a fact or condition exists which, if it had existed at the time of the original application was filed for a license, would have justified the OACA in refusing such license.

Under the Oklahoma Pawnshop Act, a pawnbroker may not accept a pledge from a person under the age of 18 years; accept any waiver of any right or protection accorded a customer under the Oklahoma Pawnshop Act; fail to exercise reasonable care to protect pledged goods from loss or damage; fail to return pledged goods to a customer upon payment of the full amount due the pawnbroker on the pawn transaction; make any charge for insurance in connection with a pawn transaction; enter into any pawn transaction which has a maturity date of more than one month; or accept collateral or buy merchandise from a person unable to supply verification of identity by photo identification by either a state-issued identification card, driver's license, or federal government-issued identification card or by readable fingerprint of right or left index finger on the back of the pawn or purchase receipt to be retained for the pawnbroker's record.

#### Maryland

In Maryland, there is no statutory service charge schedule. The Company charges 12% to 20% per month on loans at its Maryland stores, with a minimum monthly charge of \$6, which is consistent with service charges levied by other pawnshops in these areas. The State of Maryland also does not prescribe any maximum loan amounts.

Article 56 of the Annotated Code of Maryland provides for the licensing of pawnshops. To be eligible for a pawnshop license in Maryland, an applicant must (i) file a signed application verified under oath, (ii) provide the Secretary of the Maryland Department of Licensing and Regulation ("MDLR") with a detail of the applicants business dealings for the previous 36 months, (iii) pay an application fee of \$100 plus \$25 for each employee, (iv) not have had a similar license suspended, revoked, or refused in another jurisdiction, and (v) not have been convicted of any felony, theft offense, or crime involving moral turpitude within 3 years of the application, or any time after the application, or employ such person.

The MDLR may, after notice and hearing, suspend or revoke any license for a Maryland pawnshop upon finding, among other things, that (i) any fees or charges imposed by the MDLR have not been paid, or (ii) the licensee cannot verify that the information supplied with the original application is current.

Under Article 56 of the Annotated Code of Maryland, a pawnbroker may not accept a pledge from a person under the age of 18 years; prohibit any police officer from inspecting a dealer's records during business hours; fail to exercise reasonable care to protect pledged goods from loss or damage; fail to return pledged goods to a customer upon payment of the full amount due the pawnbroker on the pawn transaction; or accept collateral or buy merchandise from a person unable to supply verification of identity by photo identification by either a state-issued identification card, driver's license, passport, or



federal government-issued identification card and one other corroborating form of identification.

Washington, D.C.

Pursuant to the terms of the "Act to Regulate and License Pawnbrokers in the District of Columbia" ("Act"), the Director of the D.C. Department of Licenses, Investigations and Inspections ("Director") has primary responsibility for the regulation of pawnshops and enforcement of laws relating to pawnshops in Washington, D.C..

The Act prescribes the maximum rates of interest for which a pawnbroker may contract and which he may receive. The maximum rates are a flat \$5 per month charge on all loans of \$40 or less, and a 5% per month charge on loans of greater than \$40.

In addition to establishing maximum allowable service charges and loan ceilings, the Act also provides for the licensing of pawnshops and pawnshop employees. To be eligible for a pawnshop license in Washington, D.C., an applicant must submit an application to both the Director and the Washington, D.C. Chief of Police. After an investigation has been performed by the Chief of Police, a report of the applicant's moral character must be forwarded to the Director who then determines whether to issue a license.

Under the Act, a pawnbroker must file an annual report to the director on or before the fifteenth day of March of each year which must contain, among other things, the number of redeemed and unredeemed pledges, the total amount of cash loaned, cash balances on hand, total interest collected and any other information requested by the Director. In addition, pawnbrokers must maintain a pawn record ledger which details pertinent information on all loans.

Other

With respect to firearms and ammunition sales, each pawnshop must comply with the regulations promulgated by the Department of the Treasury-Bureau of Alcohol, Tobacco and Firearms which require each pawnshop dealing in firearms to maintain a permanent written record of all firearms received or disposed of and a similar record for all ammunition sales.

Under some municipal ordinances, pawnshops must provide the police department having jurisdiction copies of all daily transactions involving pawn loans and over-the-counter purchases. These daily transaction reports are designed to provide the local police with a detailed description of the goods involved including serial numbers, if any, and the name and address of the owner obtained from a valid identification card. If these ordinances are applicable, a copy of the transaction ticket is provided to local law enforcement agencies for processing by the National Crime Investigative Computer to determine rightful ownership. Goods held to secure pawn loans or goods purchased which are determined to belong to an owner other than the borrower or seller are subject to recovery by the rightful owners.

In connection with pawnshops operated by the Company, there is a risk that acquired merchandise may be subject to claims of rightful owners. Historically, the Company has not found these claims to have a material adverse effect upon results of operations. The Company does not maintain insurance to cover the costs of returning merchandise to its rightful owners.

There can be no assurance that additional local, state or federal legislation will not be enacted or that existing laws and regulations will not be amended which could have a material adverse effect on the Company's operations and financial condition.

Employees

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The Company had approximately 480 employees as of September 26, 1997. At that date, approximately 20 persons were employed in executive, administrative and accounting functions. None of the Company's employees are covered by collective bargaining agreements. The Company considers its employee relations to be satisfactory.

Insurance

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The Company maintains fire, casualty, theft and public liability insurance for each of its pawnshop locations in amounts management believes to be adequate. The Company maintains workers' compensation insurance in Maryland, Washington, D.C. and Oklahoma, as well as excess employer's indemnification insurance in Texas. The Company is a non-subscriber under the Texas Workers' Compensation Act and does not maintain other business risk insurance.

Future Plans  
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The Company's long-term business plan includes continuing to acquire existing pawnshops in Texas, Maryland and the Washington, D.C. metropolitan area, and possibly other states. The acquisitions may involve a purchase of assets for cash or a combination of cash, Company securities and/or debt. From time to time, the Company may also open new pawnshops where desirable opportunities are presented.

Item 2. Properties  
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The Company currently owns the real estate and buildings for three of its pawnshops and leases 57 pawnshop locations. Leased facilities are generally leased for a term of two to ten years with one or more options to renew. The Company's existing leases expire on dates ranging between 1997 and 2010. All current leases provide for specified periodic rental payments ranging from approximately \$1,200 to \$9,000 per month. Most leases require the Company to maintain the property and pay the cost of insurance and property taxes. The Company believes that termination of any particular lease would not have a material adverse effect on the Company's operations. The Company's strategy is generally to lease, rather than purchase, space for its pawnshop locations unless the Company finds what it believes is a superior location at an attractive price. The Company believes that the facilities currently owned and leased by it as pawnshop locations are suitable for such purpose. The Company considers its equipment, furniture and fixtures to be in good condition.

The Company currently leases approximately 8,500 square feet in Arlington, Texas for its executive offices. The lease, which expires November 2001, currently provides for monthly rental payments of approximately \$10,000.

Item 3. Legal Proceedings  
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The Company is aware of no material legal proceedings pending to which it is a party, or its property is subject. From time to time the Company is a defendant (actual or threatened) in certain lawsuits encountered in the ordinary course of its business, the resolution of which, in the opinion of management, should not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders  
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No matter was submitted to a vote of the Company's security holders during the fourth quarter of fiscal 1997.

PART II  
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Item 5. Market for Registrant's Common Equity and Related Stockholder Matters  
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The Company's Common Stock is traded in the over-the-counter market and is quoted on the Nasdaq Stock Market under the symbol "PAWN". The following table sets forth the quarterly high and low last sales prices per share for the Common Stock, as reported by the Nasdaq Stock Market.

	Common Stock Price Range	
	High	Low
	----	---
1996		
First Quarter.....	\$ 4.63	\$ 3.13
Second Quarter.....	4.25	3.63
Third Quarter.....	6.25	3.63
Fourth Quarter.....	6.38	4.63
1997		
First Quarter.....	\$ 5.77	\$ 4.69
Second Quarter.....	6.73	5.25
Third Quarter.....	6.81	5.16
Fourth Quarter.....	6.38	5.50

On October 6, 1997, the last sales price for the Common Stock as reported

by the Nasdaq Stock Market was \$8.13 per share. On October 6, 1997, there were approximately 91 stockholders of record of the Common Stock.

No cash dividends have been paid by the Company on its Common Stock, and the Company does not currently intend to pay cash dividends on its Common Stock. The current policy of the Company's Board of Directors is to retain earnings, if any, to provide funds for operation and expansion of the Company's business. Such policy will be reviewed by the Board of Directors of the Company from time to time in light of, among other things, the Company's earnings and financial position and limitations imposed by its revolving line of credit with Bank One, Texas, NA (the "Credit Facility"). Pursuant to the terms of its agreement with its lender, the Company is prohibited from paying any dividends until payment in full of its obligations under the Credit Facility.

Item 6. Selected Financial Data

The information below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 and the Company's Consolidated Financial Statements and related notes thereto required by Item 8.

Year Ended July 31,  
 1997      1996      1995      1994      1993  
 -----  
 (in thousands, except per share amounts and  
 certain operating data)

Income Statement Data:

Revenues:					
Merchandise sales.....	\$32,628	\$24,823	\$20,709	\$12,174	\$ 9,445
Pawn service charges.....	16,517	13,149	11,298	8,279	6,251
Other.....	286	51	177	130	131
	-----	-----	-----	-----	-----
	49,431	38,023	32,184	20,583	15,827
	-----	-----	-----	-----	-----
Cost of goods sold and expenses:					
Cost of goods sold.....	22,502	16,714	13,648	8,258	6,012
Operating expenses.....	15,774	12,573	10,678	7,356	5,656
Interest expense.....	2,340	2,124	2,116	819	434
Depreciation.....	717	540	506	361	314
Amortization.....	636	565	531	377	322
Administrative expenses.....	3,831	3,150	3,013	1,815	1,188
	-----	-----	-----	-----	-----
	45,800	35,666	30,492	18,986	13,926
	-----	-----	-----	-----	-----
Income before income taxes.....	3,631	2,357	1,692	1,597	1,901
Provision for income taxes.....	1,337	917	592	462	784
	-----	-----	-----	-----	-----
Net income.....	2,294	1,440	1,100	1,135	1,117
Dividends on preferred stock....	-	-	-	120	124
	-----	-----	-----	-----	-----
Net income attributable to common stockholders.....	\$ 2,294	\$ 1,440	\$ 1,100	\$ 1,015	\$ 993
	=====	=====	=====	=====	=====
Primary earnings per share.....	\$ .52	\$ .39	\$ .30	\$ .27	\$ .30
Fully diluted earnings per share	\$ .47	\$ .38	\$ .30	\$ .27	\$ .30

Operating Data:

Locations in operation:					
Beginning of the period.....	50	43	36	26	23
Acquisitions.....	7	7	5	10	3
Opened.....	-	1	2	2	-
Sold.....	-	-	-	(1)	-
Consolidated.....	-	(1)	-	(1)	-
	---	---	---	---	---
End of the period.....	57	50	43	36	26
	===	===	===	===	===
Pawn loans.....	\$12,877	\$11,701	\$ 9,158	\$ 7,320	\$ 5,048
Average loan balance per store..	\$ 226	\$ 234	\$ 213	\$ 203	\$ 194
Redemption rate.....	72%	70%	71%	73%	73%
Average inventory per store.....	\$ 176	\$ 175	\$ 178	\$ 167	\$ 162
Annualized inventory turnover...	2.4x	2.1x	2.0x	1.6x	1.8x
Gross profit percentage on merchandise sales.....	31.0%	32.7%	34.1%	32.2%	36.3%

Balance Sheet Data:

Working capital.....	\$23,616	\$21,098	\$17,027	\$14,159	\$ 3,966
Total assets.....	56,677	51,945	43,755	37,814	27,025
Long-term liabilities.....	26,892	28,655	22,964	18,657	392
Total liabilities.....	30,398	31,362	24,808	19,804	7,278
Series A preferred stock.....	-	-	-	-	2,000
Stockholders' equity.....	26,279	20,583	18,947	18,010	17,747

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

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General

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The Company's revenues are derived primarily from service charges on pawn loans and the sale of unredeemed goods, or "merchandise sales". Loans are made for a 30-day term with an automatic extension of 60 days in Texas, 30 days in Oklahoma and 15 days in Maryland. Loans made in Washington, D.C. are made for a 120-day term with no automatic extension. All loans are collateralized by tangible personal property placed in the custody of the Company. The annualized service charge rates on the loans are set by state laws and range between 12% and 240% in Texas and 36% and 240% in Oklahoma, depending on the size of the loan. Service charge rates are 144% to 240% on an annualized basis in Maryland, with a \$6 monthly minimum charge. In Washington, D.C., loans up to \$40 bear a flat \$5 charge per month, while loans over \$40 bear a 60% annualized rate. In its Texas stores, the Company recognizes service charges at the inception of the loan at the lesser of the amount allowed by the state law for the initial 30-day term or \$15, in accordance with state law. In Oklahoma, Maryland and Washington, D.C., the Company recognizes service charges at the inception of the loan at the amount allowed by law for the first 30 days. Pawn service charge income applicable to the remaining term and/or extension period is not recognized until the loan is repaid or renewed. If a loan is not repaid prior to the expiration of the automatic extension period, if applicable, the property is forfeited to the Company and held for resale.

As a result of the Company's policy of accruing pawn service charges only for the initial 30-day term, unredeemed merchandise is transferred to inventory at a value equal to the loan principal plus one-month's accrued interest. The Company's accounting policy defers recognition of an amount of income equal to the amount of pawn service charges relating to the extension period until the loan is repaid or renewed, or until the merchandise is resold. As a result of this policy, the Company's annualized loan yield is lower than certain of its publicly traded competitors. Conversely, this revenue recognition policy results in inventory being recorded at a lower value, which results in realization of a larger gross profit margin on merchandise sales than would be realized by certain of the Company's publicly traded competitors. This policy, in the Company's opinion, lessens the risk that the inventory's cost will exceed its realizable value when sold. However, if the pawn loan is repaid or renewed, or if the forfeited merchandise is resold, the amount of income which would be recognized by the Company or certain of its publicly traded competitors would be the same over time.

Although the Company has had significant increases in revenues due primarily to acquisitions and secondarily to new store openings, the Company has also incurred increases in operating expenses attributable to the additional stores and increases in administrative expenses attributable to building a management team and the support personnel required by the Company's growth. Operating expenses consist of all items directly related to the operation of the Company's stores, including salaries and related payroll costs, rent, utilities, equipment depreciation, advertising, property taxes, licenses, supplies and security. Administrative expenses consist of items relating to the operation of the corporate office, including the salaries of corporate officers, area supervisors and other management, accounting and administrative costs, liability and casualty insurance, outside legal and accounting fees and stockholder related expenses.

Presented below are selected consolidated data for the Company for the three years ended July 31, 1997. The following table, as well as the discussion following, should be read in conjunction with Selected Financial Data included in Item 6 and the Consolidated Financial Statements and notes thereto of the Company required by Item 8.

Year Ended July 31,		
-----		
1997	1996	1995
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Income statement items as a percent of total revenues:

Revenues:			
Merchandise sales.....	66.0%	65.3%	64.3%
Pawn service charges.....	33.4	34.6	35.1
Other.....	.6	.1	.6
Expenses:			
Operating expenses.....	31.9	33.1	33.2
Interest expense.....	4.7	5.6	6.6
Depreciation.....	1.5	1.4	1.6
Amortization.....	1.3	1.5	1.6
Administrative expenses.....	7.8	8.3	9.4
Gross profit as a percent of merchandise sales.....	31.0	32.7	34.1

## Results of Operations

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### Fiscal 1997 Compared to Fiscal 1996

Total revenues increased 30% to \$49,431,000 for the fiscal year ended July 31, 1997 ("Fiscal 1997") as compared to \$38,023,000 for the fiscal year ended July 31, 1996 ("Fiscal 1996"). The change resulted from an increase in revenues of \$7,163,000 generated by the 15 stores which were opened or acquired during Fiscal 1996 and Fiscal 1997 and an increase of \$4,245,000, or 12%, at the 42 stores which were in operation during all of Fiscal 1996 and Fiscal 1997. Of the \$11,408,000 increase in total revenues, 68%, or \$7,805,000, was attributable to increased merchandise sales, 30%, or \$3,368,000 was attributable to increased pawn service charges, and the remaining increase of \$235,000, or 2% was attributable to the increase in other income, primarily management fee revenue. As a percentage of total revenues, merchandise sales increased from 65.3% to 66.0% during Fiscal 1997 as compared to Fiscal 1996, while pawn service charges declined from 34.6% to 33.4%. Other income increased from 0.1% to 0.6% during the same period.

The aggregate loan balance increased 10% from \$11,701,000 at July 31, 1996 to \$12,877,000 at July 31, 1997. Of the \$1,176,000 increase, \$436,000 was attributable to growth at the 50 stores in operation at July 31, 1996 and July 31, 1997, while \$740,000 was attributable to the addition of 7 stores during Fiscal 1997.

Gross profit as a percentage of merchandise sales decreased from 32.7% during Fiscal 1996 to 31.0% during Fiscal 1997. This decrease in the Company's gross profit margin was primarily the result of the Company's efforts to increase its inventory turn ratio, and increased jewelry scrap sales during Fiscal 1997, which generally yield a significantly lower margin than the Company's regular retail sales, but improve the Company's liquidity. Such scrap jewelry sales are generally made at prevailing precious metals market prices, which have declined over the last two years.

Operating expenses increased 25% to \$15,774,000 during Fiscal 1997 compared to \$12,573,000 during Fiscal 1996, primarily as a result of the addition of 14 stores in Fiscal 1996 and Fiscal 1997, and the addition of personnel viewed as necessary to support the increased number of store level transactions. Administrative expenses increased 22% to \$3,831,000 during Fiscal 1997 compared to \$3,150,000 during Fiscal 1996 due primarily to the addition of personnel to supervise store operations. Interest expense increased to \$2,340,000 in Fiscal 1997 compared to \$2,124,000 in Fiscal 1996 as a result of borrowings associated with expansion of the Company's store base.

For Fiscal 1997 and 1996, the Company's effective federal income tax rates of 37% and 39%, respectively, differed from the statutory tax rate of 34% primarily as a result of state income taxes and amortization of non-deductible intangible assets.

### Fiscal 1996 Compared to Fiscal 1995

Total revenues increased 18% to \$38,023,000 for the fiscal year ended July 31, 1996 ("Fiscal 1996") as compared to \$32,184,000 for the fiscal year ended July 31, 1995 ("Fiscal 1995"). The change resulted from an increase in revenues of \$2,433,000 generated by the 14 stores which were opened or acquired during Fiscal 1995 and Fiscal 1996 and an increase of \$4,119,000 at the 36 stores which were in operation during all of Fiscal 1995 and Fiscal 1996. These increases were offset by a \$713,000 decrease resulting from the consolidation of a store into an existing store subsequent to August 1, 1995. Of the \$5,839,000 increase in total revenues, 70%, or \$4,114,000, was attributable to increased merchandise sales, 32%, or \$1,851,000 was attributable to increased pawn service charges, and the remaining decrease of \$126,000, or 2% was attributable to the decrease in other income. As a percentage of total revenues, merchandise sales increased from 64.3% to 65.3% during Fiscal 1996 as compared to Fiscal 1995, while pawn

service charges declined from 35.1% to 34.6%.

The aggregate loan balance increased 28% from \$9,158,000 at July 31, 1995 to \$11,701,000 at July 31, 1996. Of the \$2,543,000 increase, \$1,641,000 was attributable to growth at the 42 stores in operation at July 31, 1996 and July 31, 1995, while \$902,000 was attributable to the addition of 8 stores during Fiscal 1996, net of one store consolidated.

Gross profit as a percentage of merchandise sales decreased from 34.1% during Fiscal 1995 to 32.7% during Fiscal 1996. This decrease in the Company's gross profit margin was primarily the result of increased jewelry scrap sales during Fiscal 1996, which generally yield a significantly lower margin than the Company's regular retail sales, but improve the Company's liquidity.

Operating expenses increased 18% to \$12,573,000 during Fiscal 1996 compared to \$10,678,000 during Fiscal 1995, primarily as a result of the addition of 14 stores (net) in Fiscal 1995 and Fiscal 1996, and the addition of personnel viewed as necessary to support the increased number of store level transactions. Administrative expenses increased 5% to \$3,150,000 during Fiscal 1996 compared to \$3,013,000 during Fiscal 1995 due primarily to the addition of personnel to supervise store operations. Interest expense increased to \$2,124,000 in Fiscal 1996 compared to \$2,116,000 in Fiscal 1995 as a result of borrowings associated with expansion of the Company's store base.

For Fiscal 1996 and 1995, the Company's effective federal income tax rates of 39% and 35%, respectively, differed from the statutory tax rate of 34% primarily as a result of state income taxes and amortization of non-deductible intangible assets.

#### Liquidity and Capital Resources

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The Company's operations and acquisitions during the past three years have been financed with funds generated from operations, bank borrowings, and seller financed indebtedness.

The Company maintains a \$20,000,000 long-term line of credit with Bank One, Texas, NA (the "Credit Facility"). At July 31, 1997, \$15,575,000 was outstanding under this Credit Facility and an additional \$1,802,000 was available to the Company pursuant to the available borrowing base. The Credit Facility bears interest at the prevailing LIBOR rate plus one and three-quarters percent, and matures in December 1998. Amounts available under the Credit Facility are limited to the sum of 60% of inventory and 80% of loans and service charges receivable of the Company. The Credit Facility is scheduled to mature on December 1, 1998. Under the terms of the Credit Facility, the Company is required to maintain certain financial ratios and comply with certain technical covenants. As of July 31, 1997, the Company was in compliance with such covenants. The Company is required to pay an annual commitment fee of 1/8 of 1% on the average daily unused portion of the Credit Facility commitment. The Company is prohibited from paying dividends to its stockholders. Substantially all of the unencumbered assets of the Company have been pledged as collateral against indebtedness under the Credit Facility.

In September and October 1996, the Company acquired four individual stores in its Mid-Atlantic division, in December 1996 the Company acquired one store in the Dallas, Texas area, in February 1997 the Company acquired one store in Corpus Christi, Texas, and in March 1997 the Company acquired one store in Bladensburg, Maryland. These asset purchases were made for an aggregate purchase price of \$2,643,000 consisting of cash paid to the sellers of \$2,516,000 and legal, consulting and other fees of \$127,000. These acquisitions were financed with proceeds from the Company's Credit Facility and acquisition term notes provided by the Company's primary lender. The purchase price for these acquisitions was determined based upon the volume of annual loan and sales transactions, outstanding loan balances, inventory on hand, and location and condition of the facilities.

As of July 31, 1997, the Company's primary sources of liquidity were \$1,139,000 in cash and cash equivalents, \$1,949,000 in service charge receivables, \$12,877,000 in loans, \$10,035,000 in inventories and \$1,802,000 of available and unused funds under the Company's Credit Facility. The Company had working capital as of July 31, 1997 of \$23,616,000 and a liabilities to equity ratio of 1.2 to 1.

Net cash provided by operating activities of the Company during Fiscal 1997 was \$2,819,000, consisting primarily of net income before non-cash depreciation and amortization of \$3,647,000, less cash used to fund the increase of balance sheet items of \$828,000. Net cash used for investing activities during Fiscal 1997 was \$4,397,000, which was comprised of cash used for increasing pawn loans of \$566,000, and cash paid for acquisitions and other fixed asset additions of \$3,831,000 during Fiscal 1997. Net cash provided by financing activities was \$2,037,000 during Fiscal 1997, which consisted of net increases in the Company's

debt and repurchase of outstanding stock warrants of \$1,861,000, supplemented by cash provided from the exercise of stock options and warrants of \$176,000.

The profitability and liquidity of the Company is affected by the amount of loans outstanding, which is controlled in part by the Company's loan decisions. The Company is able to influence the frequency of forfeiture of collateral by increasing or decreasing the amount loaned in relation to the resale value of the pledged property. Tighter credit decisions generally result in smaller loans in relation to the estimated resale value of the pledged property and can thereby decrease the Company's aggregate loan balance and, consequently, decrease pawn service charges. Additionally, small loans in relation to the pledged property's estimated resale value tends to increase loan redemptions and improve the Company's liquidity. Conversely, providing larger loans in relation to the estimated resale value of the pledged property can result in an increase in the Company's pawn service charge income. Also larger average loan balances can result in an increase in loan forfeitures, which increases the quantity of goods on hand and, unless the Company increases inventory turnover, reduces the Company's liquidity. In each of the Company's last three fiscal years, at least 70% of the amounts loaned were either paid in full or renewed, and it is management's current intent to maintain this ratio. The Company's renewal policy allows customers to renew pawn loans by repaying all accrued interest on such pawn loans, effectively creating a new loan transaction. In addition to these factors, the Company's liquidity is affected by merchandise sales and the pace of store expansions.

Management believes that the Credit Facility, current assets and cash generated from operations will be sufficient to accommodate the Company's current operations for fiscal 1998. The Company has no significant capital commitments as of October 6, 1997. The Company currently has no written commitments for additional borrowings or future acquisitions; however, the Company intends to continue to grow and will likely seek additional capital to facilitate expansion. The Company will evaluate acquisitions, if any, based upon opportunities, acceptable financing, purchase price, strategic fit and qualified management personnel.

The Company currently intends to continue to engage in a plan of expansion through existing store acquisitions and new store openings. While the Company continually looks for, and is presented with, potential acquisition candidates, the Company has no definitive plans or commitments for further acquisitions. The Company has no immediate plans to open any other new stores. If the Company encounters an attractive opportunity to acquire or open a new store in the near future, the Company will seek additional financing, the terms of which will be negotiated on a case-by-case basis. Between August 1, 1997 and October 6, 1997, the Company acquired three individual stores for an aggregate purchase price of \$574,000, which was financed with proceeds from the Company's Credit Facility.

#### Forward Looking Information

Statements, either written or oral, which express the Company's expectation for the future with respect to financial performance or operating strategies can be identified as "forward-looking statements." These statements are made to provide the public with management's assessment of the Company's business. The Company may or may not update information contained in previously released forward-looking statements and does not assume the duty to do so.

Certain portions of this report contain forward-looking statements, particularly the portion captioned "Liquidity and Capital Resources" contained in Item 7, Part II. Factors such as changes in regional or national economic or competitive conditions, changes in government regulations, changes in regulations governing pawn service charges, unforeseen litigation, changes in interest rates or tax rates, significant changes in the prevailing market price of gold, future business decisions and other uncertainties may cause results to differ materially from those anticipated by some of the statements made in this report. Such factors are difficult to predict and many are beyond the control of the Company.

#### Inflation

The Company does not believe that inflation has had a material effect on the amount of loans made or unredeemed goods sold by the Company or its results of operation.

#### Seasonality

The Company's retail business is seasonal in nature with its highest volume of sales of unredeemed goods occurring during the second fiscal quarter of each year and its lowest volume of sales of unredeemed goods occurring during the first fiscal quarter of each year. The Company's lending activities are not

seasonal in nature.

New Accounting Pronouncements

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In February 1997, the Financial Accounting Standards Board issued Financial Accounting Standard No. 128, "Earnings per Share" ("FAS 128"), which is effective for periods ending after December 15, 1997. Effective November 1, 1997, the Company will adopt FAS 128, which establishes standards for computing and presenting earnings per share for entities with publicly held common stock. FAS 128 permits a pro forma disclosure of the new earnings per share computations in periods prior to adoption.

Item 8. Financial Statements and Supplementary Data

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The financial statements prepared in accordance with Regulation S-X are included in a separate section of this report. See the index to Financial Statements at Item 14(a)(1) and (2) of this report.

Item 9. Changes in and Disagreements with Accountants  
on Accounting and Financial Disclosure

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In April 1997, at the direction of the audit committee of the board of directors, First Cash, Inc. solicited proposals from several accounting firms to become the Company's independent accountants, including the audit of the Company's financial statements. On June 26, 1997, the Company notified Deloitte & Touche LLP of the Company's intention to engage Deloitte & Touche LLP as independent accountants for the audit of the Company's financial statements for the fiscal year ending July 31, 1997. On May 28, 1997, Price Waterhouse LLP resigned as the independent accountants for the audit of the Company's financial statements and the client-auditor relationship between the Company and Price Waterhouse LLP ceased. The reports of Price Waterhouse LLP on the financial statements of the Company for the two years ended July 31, 1996 contained no adverse opinion or disclaimer of opinion or any qualification or modification as to uncertainty, audit scope or accounting principles. During the two years ended July 31, 1996, and during the period from August 1, 1996 through May 28, 1997, there were no reportable events. During the two years ended July 31, 1996, and during the period from August 1, 1996 through May 28, 1997, there were no disagreements with Price Waterhouse LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure that, if not resolved to the satisfaction of Price Waterhouse LLP, would have caused a reference to the subject matter of the disagreement in its audit report.

There have been no disagreements concerning matters of accounting principles or financial statement disclosure between the Company and Deloitte & Touche LLP of the type requiring disclosure hereunder.

PART III

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In accordance with General Instruction G(3), a presentation of information required in response to Items 10, 11, 12, and 13 shall appear in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A within 120 days of the Company's year end and shall be incorporated herein by reference when filed.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

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(a) The following documents are filed as a part of this report:

(1) Consolidated Financial Statements:	Page
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Report of Independent Auditors.....	F-1
Report of Independent Accountants.....	F-2
Consolidated Balance Sheets.....	F-3
Consolidated Statements of Income.....	F-4
Consolidated Statements of Cash Flows.....	F-5
Consolidated Statements of Changes in Stockholders' Equity.....	F-6
Notes to Consolidated Financial Statements..	F-7

(2) All schedules are omitted because they are not applicable or the required information is shown in the financial



statements or notes thereto.

(3) Exhibits:

- 3.1(6) Amended Certificate of Incorporation
- 3.2(5) Amended Bylaws
- 4.2a(3) Common Stock Specimen
- 10.3(2) Registrant's Stock Option Plan and Form of Option
- 10.3(a)(2) Amended Stock Option Agreement -- Rick Powell
- 10.5(2) Lease of Registrant's Pawnshop located at South Hampton
- 10.6(2) Lease of Registrant's Pawnshop located at River Oaks
- 10.7(3) Lease of Registrant's Pawnshop located at S. Cooper
- 10.8(3) Employment Agreement -- Rick Powell
- 10.15(3) Employment Agreement -- Rick L. Wessel
- 10.16(3) Warrant Agreement -- Rick Powell
- 10.18(3) Warrant Agreement -- Rick Wessel
- 10.20(3) Lease of Registrant's Pawnshop located at Thornton in Dallas, Texas
- 10.21(3) Lease of Registrant's Pawnshop located at MacArthur in Oklahoma City
- 10.22(3) Lease of Registrant's Pawnshop located at Portland in Oklahoma City
- 10.23(3) Lease of Registrant's Pawnshop located at Tyler, Texas
- 10.24(3) Lease of Registrant's Pawnshop located at James Avenue in Ft. Worth, Texas
- 10.25(3) Lease of Registrant's Pawnshop located at Brown Trail in Bedford, Texas
- 10.26(3) Lease of Registrant's Pawnshops located at Hurst and Euless, Texas
- 10.28(3) Lease of Registrant's Pawnshop located at S. 23rd Street in McAllen, Texas
- 10.29(3) Lease of Registrant's Pawnshop located at E. 14th Street in Brownsville, Texas
- 10.30(3) Lease of Registrant's Pawnshop located at W. Tyler in Harlingen, Texas
- 10.31(3) Lease of Registrant's Pawnshop located at Morgan in Corpus Christi, Texas
- 10.32(3) Lease of Registrant's Pawnshop located at N. 10th in McAllen, Texas
- 10.34(3) Acquisition Agreement -- Dallas Pawn and Gun
- 10.35(3) Acquisition Agreement -- Pete's Pawn and Music
- 10.36(3) Acquisition Agreement -- Sid's E-Z Money Pawn Shop
- 10.37(3) Acquisition Agreement -- Granny's Pawn and Mercantile
- 10.38(3) Acquisition Agreement -- The Happy Hocker
- 10.39(3) Acquisition Agreement -- D&B Pawn Shop and Hurst Pawn Shop
- 10.40(3) Acquisition Agreement -- Try Us Pawn Shop
- 10.41(3) Acquisition Agreement -- American Loan & Jewelry, Inc.
- 10.42(3) Supplement to Acquisition Agreement -- American Loan & Jewelry, Inc.
- 10.43(4) Lease of Registrant's Pawnshop located at Garland, Texas
- 10.44(5) Amendment No. 1 to Acquisition Agreement - American Loan & Jewelry, Inc.
- 10.45(6) Acquisition Agreement - First Cash Auto Pawn
- 10.46(6) Lease of Registrant's Pawnshop located at 5519 S.E. 15th Street in Del City, Oklahoma
- 10.47(1) Acquisition Agreement - Chapel Jewelry & Loan
- 10.48(1) Acquisition Agreement - Outta Pawn Outlet
- 10.49(8) Asset Purchase Agreement Between Mr. Payne and the Company
- 10.50(8) Agreement with Partridge Capital Corporation
- 10.52(8) Fairness Opinion dated November 19, 1993 in connection with the Asset Sale
- 10.53(8) NationsBank consent to Asset Sale
- 10.54(7) Repurchase of First Cash, Inc. Stock from American Pawn & Jewelry, Inc.
- 10.55(7) Acquisition of Famous Pawn, Inc.
- 10.56(9) Audited Financial Statements of Famous Pawn, Inc. for the ten and one-half months ended May 15, 1994.
- 10.57(10) Acquisition Agreement of Five Pawnshops from Jeff Gerhoff.
- 10.58(10) Loan Agreement between First Cash, Inc. and Bank One, Texas, National Association, dated July 28, 1994.
- 11.0(11) Computation of Earnings Per Share for the Year Ended July 31, 1995.
- 21.0(10) Subsidiaries
- 27.0 Financial Date Schedules (Edgar version only)

- (1) Filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-61544) and incorporated herein by reference.
- (2) Filed as an exhibit to the Company's Registration Statement on Form S-18 (No. 33-37760-FW) and incorporated herein by reference.
- (3) Filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-48436) and incorporated herein by reference.
- (4) Filed as an exhibit to the Annual Report on Form 10-K for the fiscal year

- ended July 31, 1992 (File No. 0 - 19133) and incorporated herein by reference.
- (5) Filed as an exhibit to the Quarterly Report on Form 10-Q for the quarter ended October 31, 1992 (File No. 0 - 19133) and incorporated herein by reference.
  - (6) Filed as an exhibit to the Quarterly Report on Form 10-Q for the quarter ended January 31, 1993 (File No. 0 - 19133) and incorporated herein by reference.
  - (7) Filed as an exhibit to the Quarterly Report on Form 10-Q for the quarter ended April 30, 1994 (File No. 0 - 19133) and incorporated herein by reference.
  - (8) Filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-70592) and incorporated herein by reference.
  - (9) Filed as an exhibit to Form 8-K dated July 29, 1994.
  - (10) Filed as an exhibit to the Annual Report on Form 10-K for the fiscal year ended July 31, 1994 (File No. 0 - 19133) and incorporated herein by reference.
  - (11) Filed as an exhibit to the Annual Report on Form 10-K for the fiscal year ended July 31, 1995 (File No. 0 - 19133) and incorporated herein by reference.
- (b) On June 4, 1997, the Company filed a Form 8-K to report a change in the Company's independent accountants. There were no financial statements included in the Form 8-K dated June 4, 1997.

SIGNATURES  
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Pursuant to the requirements of Section 13 or 15(d) 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.

FIRST CASH, INC.  
-----

PHILLIP E. POWELL  
-----

Phillip E. Powell, Chief Executive Officer  
October 10, 1997

RICK L. WESSEL  
-----

Rick L. Wessel, Principal Accounting Officer  
October 10, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature -----	Capacity -----	Date ----
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PHILLIP E. POWELL ----- Phillip E. Powell	Chairman of the Board and Chief Executive Officer	October 10, 1997
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RICK L. WESSEL ----- Rick L. Wessel	Chief Financial Officer, Secretary and Treasurer	October 10, 1997
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JOE R. LOVE ----- Joe R. Love	Director	October 10, 1997
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RICHARD T. BURKE ----- Richard T. Burke	Director	October 10, 1997
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REPORT OF INDEPENDENT AUDITORS  
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To the Board of Directors and Stockholders  
of First Cash, Inc.

We have audited the consolidated balance sheet of First Cash, Inc. and subsidiaries as of July 31, 1997 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the 1997 financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Cash, Inc. and subsidiaries at July 31, 1997 and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Deloitte & Touche LLP  
Fort Worth, Texas  
September 4, 1997

REPORT OF INDEPENDENT ACCOUNTANTS  
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To the Board of Directors and Stockholders  
of First Cash, Inc.

In our opinion, the consolidated balance sheet and the related consolidated statements of income, of cash flows, and of changes in stockholders' equity as of and for each of the two years in the period ended July 31, 1996 present fairly, in all material respects, the financial position, results of operations and cash flows of First Cash, Inc. and its subsidiaries as of and for each of the two years in the period ended July 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above. We have not audited the consolidated financial statements for First Cash, Inc. and its subsidiaries for any period subsequent to July 31, 1996.

PRICE WATERHOUSE LLP  
Fort Worth, Texas  
October 22, 1996

FIRST CASH, INC.  
CONSOLIDATED BALANCE SHEETS  
-----

	July 31,	July 31,
	1997	1996
	----	----
(in thousands, except share data)		

## ASSETS

Cash and cash equivalents.....	\$ 1,139	\$ 680
Service charges receivable.....	1,949	1,783
Loans.....	12,877	11,701
Inventories.....	10,035	8,772
Prepaid expenses and other current assets.....	1,122	869
	-----	-----
Total current assets.....	27,122	23,805
Property and equipment, net.....	6,554	5,647
Intangible assets, net of accumulated amortization of \$2,570 and \$1,934, respectively	22,256	21,547
Other.....	745	946
	-----	-----
	\$ 56,677	\$ 51,945
	=====	=====

## LIABILITIES AND STOCKHOLDERS' EQUITY

Current portion of long-term debt and notes payable.....	\$ 942	\$ 611
Accounts payable and accrued expenses.....	2,437	1,672
Income taxes payable.....	127	424
	-----	-----
Total current liabilities.....	3,506	2,707
Revolving credit facility.....	15,575	14,550
Long-term debt and notes payable, net of current portion.....	2,735	2,477
Debentures Due 1999.....	6,022	7,500
Debentures Due 2004.....	500	2,500
Deferred income taxes.....	2,060	1,628
	-----	-----
	30,398	31,362
	-----	-----
Stockholders' equity:		
Preferred stock; \$.01 par value; 10,000,000 shares authorized; no shares issued or outstanding.....	-	-
Common stock; \$.01 par value; 20,000,000 shares authorized; 4,931,376 and 4,168,459 shares issued, respectively; 4,460,417 and 3,697,500 shares outstanding, respectively...	50	42
Additional paid-in capital.....	21,005	17,611
Retained earnings.....	7,489	5,195
Common stock held in treasury, at cost; 470,959 shares.....	(2,265)	(2,265)
	-----	-----
	26,279	20,583
Commitments (see Note 11)		
	-----	-----
	\$ 56,677	\$ 51,945
	=====	=====

The accompanying notes are an  
integral part of these consolidated financial statements.

FIRST CASH, INC.  
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended July 31,		
	1997	1996	1995
	----	----	----
	(in thousands, except per share amounts)		
Revenues:			
Merchandise sales.....	\$32,628	\$24,823	\$20,709
Pawn service charges.....	16,517	13,149	11,298
Other.....	286	51	177
	-----	-----	-----
	49,431	38,023	32,184
	-----	-----	-----
Cost of goods sold and expenses:			
Cost of goods sold.....	22,502	16,714	13,648
Operating expenses.....	15,774	12,573	10,678
Interest expense.....	2,340	2,124	2,116
Depreciation.....	717	540	506
Amortization.....	636	565	531
Administrative expenses.....	3,831	3,150	3,013
	-----	-----	-----
	45,800	35,666	30,492

Income before income taxes.....	3,631	2,357	1,692
Provision for income taxes.....	1,337	917	592
Net income.....	\$ 2,294	\$ 1,440	\$ 1,100
	=====	=====	=====
Primary earnings per share.....	\$ 0.52	\$ 0.39	\$ 0.30
	=====	=====	=====
Fully diluted earnings per share.....	\$ 0.47	\$ 0.38	\$ 0.30
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

FIRST CASH, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended July 31,		
	1997	1996	1995
	-----	-----	-----
	(in thousands)		
Cash flows from operating activities:			
Net income.....	\$ 2,294	\$ 1,440	\$ 1,100
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization.....	1,353	1,105	1,037
Changes in operating assets and liabilities, net of effect of purchases of existing stores:			
Service charges receivable.....	(62)	(227)	(83)
Inventories.....	(1,152)	(899)	(1,260)
Prepaid expenses and other assets....	(6)	(474)	707
Accounts payable and accrued expenses	257	451	151
Current and deferred income taxes....	135	556	723
	-----	-----	-----
Net cash flows from operating activities.....	2,819	1,952	2,375
	-----	-----	-----
Cash flows from investing activities:			
Net increase in loans.....	(566)	(1,606)	(601)
Purchases of property and equipment.....	(1,188)	(1,282)	(1,063)
Proceeds from sale of property and equipment.....	-	-	375
Acquisition of existing pawnshops.....	(2,643)	(4,370)	(2,347)
	-----	-----	-----
Net cash flows from investing activities.....	(4,397)	(7,258)	(3,636)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from debt.....	16,086	17,909	10,622
Repayments of debt.....	(13,975)	(12,385)	(8,499)
Purchase of treasury stock.....	-	-	(963)
Repurchase of outstanding warrants.....	(250)	-	-
Proceeds from exercise of options and warrants.....	176	196	-
	-----	-----	-----
Net cash flows from financing Activities.....	2,037	5,720	1,160
	-----	-----	-----
Change in cash and cash equivalents.....	459	414	(101)
Cash and cash equivalents at beginning of the year.....	680	266	367
	-----	-----	-----
Cash and cash equivalents at end of the year.....	\$ 1,139	\$ 680	\$ 266
	=====	=====	=====
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest.....	\$ 2,405	\$ 2,102	\$ 1,990
	=====	=====	=====
Income taxes.....	\$ 1,173	\$ 361	\$ 99
	=====	=====	=====

Supplemental disclosure of noncash investing and financing activities:

Noncash transactions in connection with various pawnshop acquisitions:

Fair market value of assets acquired.	\$ 2,652	\$ 4,308	\$ 5,099
Less issuance of common stock.....	-	-	(800)
Less assumption of debt.....	-	-	(2,000)
Less assumption of liabilities and costs of acquisition.....	(9)	(23)	(99)
	-----	-----	-----
Net cash paid.....	\$ 2,643	\$ 4,285	\$ 2,200
	=====	=====	=====

Noncash conversion of subordinated debentures into shareholders' equity..

\$ 3,476	-	-
=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

FIRST CASH, INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Preferred Stock		Retained Earnings	Treasury Stock		Total
	Shrs	Amnt		Shrs	Amnt		Shrs	Amnt	
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	(in thousands)								
Balance at July 31, 1994.	3,930	\$ 40	\$ 16,617	-	-	\$ 2,655	313	\$(1,302)	\$18,010
Common stock issued in connection with an acquisition.....	200	2	798	-	-	-	-	-	800
Purchase of treasury stock.....	-	-	-	-	-	-	158	(963)	(963)
Net income.....	-	-	-	-	-	1,100	-	-	1,100
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance at July 31, 1995.	4,130	42	17,415	-	-	3,755	471	(2,265)	18,947
Exercise of stock options and warrants....	38	-	196	-	-	-	-	-	196
Net income.....	-	-	-	-	-	1,440	-	-	1,440
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance at July 31, 1996.	4,168	42	17,611	-	-	5,195	471	(2,265)	20,583
Exercise of stock warrants.....	44	1	175	-	-	-	-	-	176
Conversion of debentures.	719	7	3,469	-	-	-	-	-	3,476
Repurchase of warrants...	-	-	(250)	-	-	-	-	-	(250)
Net income.....	-	-	-	-	-	2,294	-	-	2,294
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance at July 31, 1997.	4,931	\$ 50	\$ 21,005	-	-	\$ 7,489	471	\$(2,265)	\$26,279
	=====	=====	=====	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

FIRST CASH, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND NATURE OF THE COMPANY

First Cash, Inc. (the "Company") was incorporated in Texas on July 5, 1988 and was reincorporated in Delaware in April 1991. The Company is engaged in acquiring, establishing and operating pawnshops which lend money on the security of pledged tangible personal property. In addition to making short-term loans, the Company offers for resale the personal property forfeited by the individuals on loans, as well as personal property purchased outright from customers and vendors. As of July 31, 1997 the Company owned fifty-seven stores.

In addition to operating its own stores, the Company also receives management fees for managing pawnshops owned by third parties. As of July 31,

1997, the Company managed seven such stores. These third parties own and provide 100% of the financing for the pawnshops, and incur all direct costs to operate the pawnshops, including but not limited to payroll, store operating expenses, cost of inventory, and pawn loans. The Company receives a monthly management fee for each store managed, and provides computer support, accounting, auditing, oversight and management of these stores.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of these financial statements.

Principles of consolidation - The accompanying consolidated financial statements of the Company include the accounts of its wholly-owned subsidiaries, American Loan & Jewelry, Inc. ("American Loan") and Famous Pawn, Inc. ("Famous Pawn"). All significant intercompany accounts and transactions have been eliminated.

Cash and cash equivalents - The Company considers any highly liquid investments with an original maturity of three months or less to be cash equivalents.

Loans and income recognition - Pawn loans ("loans") are made on the pledge of tangible personal property for one month with an automatic extension period of sixty days in Texas, thirty days in Oklahoma, and fifteen days in Maryland. Loans are made for a period of 120 days in Washington, D.C. with no automatic extension. In accordance with Texas state law, the Company has recorded pawn service charges at the inception of the loan at the lesser of the amount of interest allowed by law for the initial loan period, or \$15. Additional pawn service charges are recognized during the initial loan period when the aggregate pawn service charges earned, determined on a constant yield basis over the initial loan period, exceed the amount of income recognized at the inception of the loan. Pawn service charges on loans made in Oklahoma, Maryland and Washington, D.C. are recorded at the amount of interest allowed by law for the first 30 days. Pawn service charges applicable to the extension periods or additional loan periods are not recognized as income until the loan is repaid or renewed. If the loan is not repaid, the principal amount loaned plus accrued pawn service charges becomes the carrying value of the forfeited collateral ("inventory") which is recovered through sale.

Layaway and deferred revenue - Interim payments from customers on layaway sales are credited to deferred revenue and subsequently recorded as income during the period in which final payment is received.

Inventories - Inventories represent merchandise purchased directly from the public, merchandise acquired from forfeited loans and new merchandise purchased from vendors. Inventories purchased directly from vendors and customers are recorded at cost. Inventories from forfeited loans are recorded at the amount of the loan principal plus one month's accrued pawn service charges on the unredeemed goods. The cost of inventories is determined on the specific identification method. Inventories are stated at the lower of cost or market; accordingly, inventory valuation allowances are established when inventory carrying values are in excess of estimated selling prices, net of direct costs of disposal. Management has evaluated inventory and determined that a valuation allowance is not necessary.

Property and equipment - Property and equipment are recorded at cost. Depreciation is determined on the straight-line method based on estimated useful lives of thirty-one years for buildings and five to ten years for equipment. The costs of improvements on leased stores are capitalized as leasehold improvements and are amortized on the straight-line method over the applicable lease period, or useful life if shorter.

Maintenance and repairs are charged to expense as incurred; renewals and betterments are charged to the appropriate property and equipment accounts. Upon sale or retirement of depreciable assets, the cost and related accumulated depreciation is removed from the accounts, and the resulting gain or loss is included in the results of operations in the period retired.

Intangible assets - Intangible assets consist of the excess of purchase price over net assets acquired and non-compete agreements. Excess purchase price over net assets acquired is being amortized on a straight-line basis over an estimated useful life of forty years and payments relative to non-compete agreements are amortized over their estimated useful lives ranging from two to ten years. The Company's amortization policy is reviewed annually by the Board of Directors to determine if any change is appropriate. Management of the Company periodically evaluates the carrying value of the excess purchase price over the net tangible assets of businesses acquired to determine that no diminution in carrying value has occurred by comparing a multiple of current earnings before income taxes on an undiscounted basis to the net carrying value

of the related intangibles. The multiple used in this evaluation is consistent with the Company's acquisition model and is determined based upon a discount to the historical trading multiple of the Company's common stock. Upon any such diminution in value, an appropriate amount would be charged to earnings.

Long lived assets - Long-lived assets (i.e., property, plant and equipment and intangible assets) are reviewed for impairment whenever events or changes in circumstances indicate that the net book value of the asset may not be recoverable. An impairment loss would be recognized if the sum of the expected future cash flows (undiscounted and before interest) from the use of the asset is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the difference between the net book value of the assets and the estimated fair value of the related assets.

Fair value of financial instruments - The fair value of financial instruments is determined by reference to various market data and other valuation techniques, as appropriate. Unless otherwise disclosed, the fair values of financial instruments approximate their recorded values, due primarily to their short-term nature.

Income taxes - The Company uses the liability method of computing deferred income taxes on all material temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases.

Advertising - The Company expenses the costs of advertising the first time the advertising takes place. Advertising expense for the fiscal years ended July 31, 1997, 1996 and 1995 was \$219,000, \$165,000 and \$225,000, respectively.

Stock-Based Compensation - Compensation expense is recorded with respect to stock option grants and retention stock awards to employees using the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Entities electing to remain with the accounting in APB 25 must make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting defined in Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") had been applied. The Company accounts for stock based employee compensation plans under the intrinsic method pursuant to APB 25 and has made the disclosures in the footnotes as required by FAS 123.

Earnings per share - Earnings per common share is calculated using the Modified Treasury Stock Method as required by Accounting Principles Board Opinion No.15 ("APB 15"), which requires a dual computation. The first computation divides net income available to common shareholders by the weighted average shares of common stock outstanding during the period. The second computation requires all common stock equivalents, whether dilutive or anti dilutive, be included in an aggregate computation, however, the number of common shares assumed to be repurchased into treasury is limited to 20% of the number of common shares outstanding at the end of the period. The remaining excess proceeds are then assumed to first retire outstanding debt, and second, to purchase certain "risk-free" securities. Pursuant to APB 15, if the result of the aggregate computation is dilutive, when compared to the first computation, its result must be reported as earnings per share; otherwise, the result of the first computation is reported. As a result of this computation, the proceeds from the assumed exercise of common stock equivalents were assumed to be used to repurchase 20% of the outstanding common shares at the average stock price during the year and the remaining proceeds were used to retire debt and invest in 5.25% securities. This increased adjusted net income by \$1,019,000, \$1,073,000, and \$470,000, respectively, and increased the share count by 2,589,000 shares, 2,726,000 shares, and 1,430,000 shares, respectively, for the years ended July 31, 1997, 1996 and 1995. Thus, the adjusted net income and share count used in computing primary earnings per share were \$3,313,000 and 6,414,000 shares, respectively, for the year ended July 31, 1997, \$2,513,000 and 6,395,000 shares, respectively, for the year ended July 31, 1996, and \$1,570,000 and 5,150,000 shares, respectively, for the year ended July 31, 1995. For purposes of calculating primary earnings per share, convertible debentures are not included as they are not considered common stock equivalents. Fully diluted earnings per share is calculated in a similar manner except that all convertible debentures are also included in this computation and the higher of the closing stock price or average stock price for the year is used. Fully diluted earnings per share's adjusted net income increased \$1,670,000, \$1,757,000, and \$1,083,000, respectively, and the share count increased 4,604,000 shares, 4,848,000 shares, and 3,552,000 shares, respectively, for the years ended July 31, 1997, 1996 and 1995. Thus, the adjusted net income and share count used in computing fully diluted earnings per share were \$3,964,000 and 8,430,000 shares, respectively, for the year ended July 31, 1997, \$3,197,000 and 8,517,000 shares, respectively, for the year ended July 31, 1996, and \$2,183,000 and 7,271,000 shares, respectively, for the year ended July 31, 1995.

Pervasiveness of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to



make estimates and assumptions that affect the reported amounts of assets and liabilities, and related revenues and expenses and disclosure of gain and loss contingencies at the date of the financial statements. Such estimates and assumptions are subject to a number of risks and uncertainties which may cause actual results to differ materially from the Company's estimates.

New accounting pronouncements - In February 1997, the Financial Accounting Standards Board issued Financial Accounting Standard No. 128, "Earnings per Share" ("FAS 128"), which is effective for periods ending after December 15, 1997. Effective November 1, 1997, the Company will adopt FAS 128, which establishes standards for computing and presenting earnings per share for entities with publicly held common stock or potential common stock. FAS 128 permits a pro forma disclosure of the new earnings per share computations in periods prior to adoption. Using the computations in FAS 128, the Company's basic and diluted earnings per share for the year ended July 31, 1997 would be \$0.60 and \$0.46, respectively, compared to basic and diluted earnings per share of \$0.39 and \$0.35, respectively for the year ended July 31, 1996, and \$0.30 for both basic and fully diluted earnings per share for the year ended July 31, 1995.

#### NOTE 3 - BUSINESS ACQUISITIONS

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In September and October 1996, the Company acquired four individual stores in its Mid-Atlantic division, in December 1996 the Company acquired one store in the Dallas, Texas area, in February 1997 the Company acquired one store in Corpus Christi, Texas, and in March 1997 the Company acquired one store in Bladensburg, Maryland. These asset purchases were made for an aggregate purchase price of \$2,643,000 consisting of cash paid to the sellers of \$2,516,000 and legal, consulting and other fees of \$127,000. These acquisitions were financed with proceeds from the Company's Credit Facility and acquisition term notes provided by the Company's primary lender. The purchase price for these acquisitions was determined based upon the volume of annual loan and sales transactions, outstanding loan balances, inventory on hand, and location and condition of the facilities. Pro forma results of operations for these acquisitions are not presented because they are not material to historical results.

In May 1996, the Company acquired three pawnshops in Baltimore, Maryland in an asset purchase including fixed assets, layaways and pawn loans from an unaffiliated corporation which is wholly-owned by a former employee of the Company, for an aggregate purchase price of \$2,446,000 consisting of \$2,400,000 cash paid to the seller, and legal, consulting and other fees of \$46,000. In June 1996, the Company acquired three additional pawnshops in Baltimore, Maryland in an asset purchase including fixed assets, layaways, pawn loans and inventory from an unaffiliated corporation for an aggregate cash purchase price of \$1,662,000 consisting of \$1,590,000 paid to the seller, and legal, consulting and other fees of \$72,000. The Company financed substantially all of the cash purchase price for both of these acquisitions through its credit facility. The purchase price for these acquisitions was determined based upon the volume of annual loan and sales transactions, outstanding loan balances, inventory on hand, and location and condition of the facilities.

In October 1994, the Company acquired five pawnshops in Maryland and the Washington, D.C. Metropolitan area in an asset purchase including fixed assets, layaways, deposits, pawn loans and inventory from five unaffiliated corporations, four of which received cash and the fifth corporation, National Trade Center, Inc. received a combination of cash, stock and a note payable. The five pawnshops and related assets were acquired for a purchase price of \$5,099,000 consisting of \$2,200,000 cash, a five year unsecured \$2,000,000 promissory note with principal and interest payable monthly at the rate of 7% per annum, the issuance of 200,000 shares of the Company's Common Stock valued at the then market price of \$4 per share, and assumed liabilities, legal, accounting and transaction fees of \$99,000. The Company financed substantially all of the cash purchase price through its credit facility. The purchase price of the transaction was determined based upon the volume of annual loan and sales transactions, outstanding loan balances, inventory on hand, and location and condition of the facilities.

All of these acquisitions have been accounted for using the purchase method of accounting. Accordingly, the purchase price was allocated to assets and liabilities acquired based upon their estimated fair market values at the dates of acquisition. The excess purchase price over the fair market value of the net tangible assets acquired and identifiable intangible assets has been recorded as goodwill. Goodwill and other intangible assets, net of accumulated amortization, resulting from acquisitions was \$22,256,000 and \$21,547,000 as of July 31, 1997 and 1996, respectively. The results of operations of the acquired companies are included in the consolidated financial statements from their respective dates of acquisition. In connection with these acquisitions, the Company entered into 2 to 10 year non-compete agreements with the former owners.

NOTE 4 - RELATED PARTY TRANSACTIONS

In October 1994 and January 1996, the Company issued to Mr. Jon Burke, the brother of a director of the Company, Mr. Richard T. Burke, warrants to purchase 5,000 shares and 50,000 shares, respectively, of the Company's Common Stock at exercise prices of \$4.625 per share for consulting services to be provided through January 2001. The warrants vest over a five-year period. In August 1996, the Company entered into a management agreement to operate and manage pawnshops for JB Pawn, Inc., a Texas corporation. JB Pawn, Inc. owns and provides 100% of the financing for its pawnshops, and incurs all direct costs to operate the pawnshops, including payroll, store operating expenses, cost of inventory, and pawn loans. The Company receives a monthly management fee for each store managed, and provides computer support, accounting, auditing, oversight and management of these stores. JB Pawn, Inc. is 100% owned and controlled by Mr. Jon Burke, a brother of a director of the Company. In the event that JB Pawn, Inc. receives an offer to purchase any of its pawnshops, the Company shall have a first right of refusal to match such offer. The Company recorded management fee revenue of \$212,000 under this agreement during fiscal 1997.

During fiscal 1996, the Company paid to Joe R. Love, a director of the Company, a consulting fee of \$75,000 for services rendered in connection with certain acquisitions.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	July 31, 1997	July 31, 1996
Land.....	\$ 719	\$ 719
Buildings.....	1,002	1,002
Leasehold improvements.....	2,089	1,792
Furniture, fixtures and equipment..	5,516	4,192
	-----	-----
	9,326	7,705
Less: accumulated depreciation.....	(2,772)	(2,058)
	-----	-----
	\$ 6,554	\$ 5,647
	=====	=====

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following (in thousands):

	July 31, 1997	July 31, 1996
Accounts payable.....	\$ 216	\$ 147
Accrued payroll.....	939	650
Layaway deposits.....	572	534
Sales tax payable.....	147	113
Other.....	563	228
	-----	-----
	\$ 2,437	\$ 1,672
	=====	=====

NOTE 7 - REVOLVING CREDIT FACILITY

The Company maintains a long-term line of credit facility ("Credit Facility") with a bank in the amount of \$20,000,000. At July 31, 1997, \$15,575,000 was outstanding under this Credit Facility and an additional \$1,802,000 was available to the Company pursuant to the available borrowing base. Borrowings under the Credit Facility bear interest at the prevailing LIBOR rate plus one and three-quarters percent. Amounts available under the Credit Facility are limited to the sum of 60% of inventory and 80% of loans and service charges receivable of the Company. The Credit Facility is scheduled to mature on December 1, 1998. Under the terms of the Credit Facility, the Company is required to maintain certain financial ratios and comply with certain technical covenants. As of July 31, 1997, the Company was in compliance with such

covenants. The Company is required to pay an annual commitment fee of 1/8 of 1% on the average daily unused portion of the Credit Facility commitment. The Company is prohibited from paying dividends to its stockholders. Substantially all of the unencumbered assets of the Company have been pledged as collateral against indebtedness under the Credit Facility.

NOTE 8 - LONG-TERM DEBT AND NOTES PAYABLE

Long-term debt and notes payable consist of the following (in thousands):

	July 31, 1997 ----	July 31, 1996 ----
Note payable to a bank; bearing interest at 7.4%; monthly principal payments of \$2,335 and interest payments based upon the unpaid balance; matures December 1, 2000; secured by real estate.....	\$ 555	\$ 564
Note payable to a bank; bearing interest at 7.4%; monthly principal payments of \$2,957 and interest payments based upon the unpaid balance; matures April 1, 2001; secured by real estate.....	511	538
Note payable to an unrelated corporation; bearing interest at 7%; unsecured; fully retired during fiscal 1997.....	-	1,443
Unsecured demand note payable to an individual; bearing interest at 7%; interest payable monthly in installments of \$583.....	100	100
Note payable to a bank; bearing interest at 9.3%; monthly principal and interest payments of \$14,504, until maturity at July 1, 1999; secured by equipment.....	317	443
Note payable to a bank; bearing interest at 8.9%; monthly principal and interest payments of \$7,367, until maturity at October 1, 2001; secured by equipment.....	312	-
Note payable to a bank; bearing interest at 9.2%; monthly principal and interest payments of \$5,797, until maturity at January 15, 2002; secured by equipment.....	255	-
Note payable to a bank; bearing interest at 9.3%; monthly principal and interest payments of \$5,452, until maturity at July 1, 2002; secured by equipment.....	257	-
Note payable to a bank; bearing interest at 7.4%; monthly principal payments of \$8,222 and interest payments based upon the unpaid balance; matures July 1, 2000; secured by specific acquired assets.....	296	-
Note payable to a bank; bearing interest at 7.4%; monthly principal payments of \$39,834 and interest payments based upon the unpaid balance; matures November 1, 1999; secured by specific acquired assets.....	1,074	-
	-----	-----
	3,677	3,088
Less: current portion.....	(942)	(611)
	-----	-----
	\$ 2,735	\$ 2,477
	=====	=====

Long-term debt and notes payable are scheduled to mature as follows (in thousands):

Fiscal -----	
1998.....	\$ 942
1999.....	975
2000.....	565
2001.....	1,078
2002.....	117
	-----
	\$ 3,677
	=====

NOTE 9 - CONVERTIBLE SUBORDINATED DEBENTURES

In April 1994, the Company completed the private placement of \$7,500,000 of 10% Convertible Subordinated Debentures Due 1999. During fiscal 1997, \$1,476,000 of these debentures were converted by the holders into 318,917 shares of Common Stock. The outstanding debentures are convertible into 1,302,000

shares of Common Stock, which represents a conversion price of \$4.625 per share, at the option of the debenture holders, or may be prepaid in whole by the Company if the price of the Company's Common Stock trades at or above \$8.10 for 30 consecutive days

These debentures are subordinated to the Credit Facility and are unsecured. A default under the terms of the Company's Credit Facility also results in default under the provisions of these debentures. Interest on the debentures is payable quarterly at March 31, June 30, September 30 and December 31, and principal is due in 1999, if not previously converted into Common Stock. Debt issue costs of \$934,000 were incurred in this transaction and are included in other assets on the accompanying consolidated balance sheet, net of accumulated amortization of \$400,000, \$280,000 and \$160,000 at July 31, 1997, 1996 and 1995, respectively. As of July 31, 1997, the fair market value of these debentures is estimated to be \$7,812,000.

In conjunction with the acquisition of Famous Pawn in May 1994, the Company issued \$2,500,000 of 7% Convertible Subordinated Debentures Due 2004 to the former sole shareholder of Famous Pawn. During fiscal 1997, \$2,000,000 of these debentures were converted into 400,000 shares of Common Stock. The outstanding debentures may be converted into 100,000 shares of Common Stock at the option of the debenture holder on or after June 1, 1997, which represents a conversion price of \$5 per share, or may be prepaid in whole by the Company if the price of the Company's Common Stock trades at or above \$10 per share for 10 consecutive trading days on or after June 1, 1997. These debentures are subordinated to the Credit Facility and are unsecured. A default under the terms of the Company's Credit Facility also results in default under the provisions of these debentures. Interest on the debentures is payable monthly, and principal is due 2004, if not previously converted into Common Stock. As of July 31, 1997, the fair market value of the remaining debentures is estimated to be \$600,000.

NOTE 10 - INCOME TAXES

Components of the provision for income taxes consist of the following (in thousands):

	For the year ended July 31,		
	1997	1996	1995
	----	----	----
Current:			
Federal.....	\$ 784	\$ 446	\$ 40
State.....	121	67	46
	-----	-----	-----
	905	513	86
Deferred.....	432	404	506
	-----	-----	-----
	\$ 1,337	\$ 917	\$ 592
	=====	=====	=====

The Company has no deferred tax assets. The principal current and non current deferred tax liabilities consist of the following at July 31, 1997 and 1996 (in thousands):

	July 31,	July 31,
	1997	1996
	----	----
Deferred tax liabilities:		
Intangible asset amortization..	\$ 1,222	\$ 989
Depreciation.....	603	466
State income taxes.....	139	106
Service charges receivable.....	50	48
Other.....	150	67
	-----	-----
Net deferred tax liability.....	\$ 2,164	\$ 1,676
	=====	=====

Reported as:		
Current liabilities - income taxes payable.....	\$ 104	\$ 48
Non-current liabilities - deferred income taxes.....	2,060	1,628
	-----	-----
Net deferred tax liability.....	\$ 2,164	\$ 1,676
	=====	=====

The provision for income taxes differs from the amounts determined by applying the expected federal statutory tax rate to income before income taxes. The following is a reconciliation of such differences (in thousands):

	For the year ended July 31,		
	1997	1996	1995
	----	----	----
Tax at the federal statutory rate.....	\$1,235	\$ 801	\$ 575
Nondeductible amortization of intangible assets.....	34	34	34
State income taxes, net of federal tax benefit.....	112	67	52
Other, net.....	(44)	15	(69)
	-----	-----	-----
	\$1,337	\$ 917	\$ 592
	=====	=====	=====

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Company leases certain of its pawnshop facilities and computer equipment under operating leases with terms ranging from two to ten years. Most facility leases contain renewal and/or purchase options. Remaining future minimum rentals due under non-cancelable operating leases are as follows (in thousands):

Fiscal	
-----	
1998.....	\$ 2,602
1999.....	2,329
2000.....	1,872
2001.....	1,398
2002.....	752
Thereafter.....	1,447
	-----
	\$10,400
	=====

Rent expense under such leases was \$2,519,000, \$2,070,000 and \$1,964,000 for fiscal years 1997, 1996 and 1995, respectively.

The Company is aware of no material legal proceedings pending to which it is a party, or its property is subject. From time to time the Company is a defendant (actual or threatened) in certain lawsuits encountered in the ordinary course of its business, the resolution of which, in the opinion of management, should not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

NOTE 12 - EMPLOYEE STOCK OPTION PLAN AND OUTSTANDING WARRANTS

On October 30, 1990, the Company's Board of Directors adopted the 1990 Stock Option Plan (the "Plan"). The Plan provides for the issuance of incentive stock options and non-qualified stock options to key employees and directors of the Company. The total number of shares of Common Stock authorized and reserved for issuance under the Plan is 250,000 shares. The exercise price for each stock option granted under the Plan may not be less than the fair market value of the Common Stock on the date of the grant, unless, in the case of incentive stock options, the optionee owns greater than 10% of the total combined voting power of all classes of capital stock of the Company, in which case the exercise price may not be less than 110% of the fair market value of the Common Stock on the date of the grant. Unless otherwise determined by the Board, options granted under the Plan have a maximum duration of five years and vest in up to four equal installments, commencing on the first anniversary of the date of grant. As of July 31, 1997, options to purchase 45,875 shares of Common Stock were available for grant under the Plan. Options to purchase 143,938 shares were fully vested at July 31, 1997.

The Company also issues warrants to purchase shares of Common Stock to certain key members of management, to members of the Board of Directors who are not employees or officers of the Company and to outside consultants and advisors in connection with various acquisitions, debt offerings and consulting engagements. In accordance with the provisions of FAS 123, the issuance of warrants to outside consultants and advisors is accounted for using the fair

value method prescribed by FAS 123. Warrants granted to outside consultants and advisors prior to December 15, 1995 are accounted for using methods prescribed by APB 25.

Stock option and warrant activity from July 31, 1994 through July 31, 1997 is summarized in the accompanying chart (in thousands, except exercise price).

	Options	Warrants	Weighted Average Exercise Price	Exercisable	
				Number	Wtd. Avg. Exercise Price
July 31, 1994..	119	1,595	\$ 4.63	1,710	\$ 4.60
Granted.....	97	65	4.63		
Cancelled.....	(14)	(210)	4.94		
July 31, 1995..	202	1,450	4.58	1,566	4.55
Granted.....	117	1,908	9.75		
Cancelled.....	(109)	(124)	5.55		
Exercised.....	(3)	(15)	4.28		
July 31, 1996..	207	3,219	7.57	3,352	7.64
Granted.....	9	-	4.75		
Cancelled.....	(15)	-	4.93		
Repurchased...	-	(198)	4.52		
Exercised.....	-	(44)	4.00		
July 31, 1997..	201	2,977	7.82	3,120	7.88

Options and warrants outstanding as of July 31, 1997 are as follows (in thousands, except exercise price and life):

Exercise Price	Total Warrants and Options	Weighted Average Remaining Life	Currently Exercisable
\$4.00	953	3.3	953
4.63	1,166	3.4	1,117
4.75	9	4.0	-
12.00	50	0.1	50
15.00	1,000	3.0	1,000
	3,178		3,120

The Company applies the intrinsic value method in accounting for its stock option and warrant issuances. Accordingly, no compensation cost has been recognized for its stock option and warrant grants. Had compensation cost for the Company's stock options and warrants been determined based on the fair value at the grant dates for such option and warrant awards, the Company's net income would have been reduced by \$1,039,000 in 1996 and \$2,000 in 1997. Primary and fully diluted earnings per share would have been reduced by \$0.28 in fiscal 1996, while there would be no earnings per share effect in fiscal 1997.

Weighted average grant-date fair values of options issued were \$3.30 per unit in fiscal 1997 and \$0.83 per unit in fiscal 1996, which were calculated in accordance with the Black-Scholes option pricing model, using the following assumptions:

	1997	1996
Expected volatility.....	39%	38%
Expected dividend yield....	-	-
Expected option term.....	5 years	5 years
Risk-free rate of return....	6.31%	5.79%

NOTE 13 - FIRST CASH 401(k) PLAN

The First Cash 401(k) Plan (the "Plan") is provided by the Company for all full-time employees who have been employed with the Company for one year. Under

the Plan, a participant may contribute up to 15% of earnings, with the Company matching the first 3% at a rate of 50%. The employee contributions are paid to a corporate trustee and invested in various funds. Company contributions are invested in its common stock, and contributions made to participants' accounts become fully vested upon completion of five years of service. The total Company contributions to the Plan were \$69,000 and \$34,000 for fiscal 1997 and 1996, respectively.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEETS AND CONDENSED CONSOLIDATED STATEMENTS OF INCOME FOUND IN THE COMPANY'S FORM 10-K FOR THE YEAR ENDED JULY 31, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS	
JUL-31-1997	JUL-31-1997
	1,139
	0
	14,826
	0
	10,035
	27,122
	9,326
	2,772
	56,677
3,506	
	0
0	
	0
	50
	26,229
56,677	
	32,628
	49,431
	22,502
	43,460
	0
	0
	2,340
	3,631
	1,337
2,294	
	0
	0
	0
	2,294
	0.52
	0.47