CASH AMERICA INTERNATIONAL INC
Form 10-Q
August 04, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from to

Commission File Number 001-09733
(Exact name of registrant as specified in its charter)

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

(817) 335-1100
(Registrant’s telephone number, including area code)
NONE
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No ¨

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

Large accelerated filer þ Accelerated filer ¨

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

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

Yes ¨ No þ

APPLICABLE ONLY TO CORPORATE ISSUERS:

24,025,196 of the Registrants’ common shares, $.10 par value per share, were outstanding as of August 1, 2016.

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CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

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

- risks related to the pending merger with First Cash Financial Services, Inc. (“FCFS”), including the risk that the merger may not be completed (because it is subject to certain approvals by the shareholders of the Company and FCFS, regulatory approvals and certain other closing conditions that must be met in order for the merger to be completed), risks that the benefits of the business combination may not be achieved, and other risks related to the business and operations and to the Company’s stock price, among others;
- risks related to the regulation of the Company, such as the failure to comply with existing, the adoption of new, or adverse changes in the interpretation or enforcement of laws, rules, regulations and guidance, the regulatory and examination authority of the Consumer Financial Protection Bureau (“CFPB”), and the effect of and compliance with enforcement actions, rules, orders and agreements issued by applicable regulators;
- decreased demand for the Company’s products and services and changes in competition;
- fluctuations in the price of gold and changes in economic conditions;
- public perception of the Company’s business and the Company’s business practices;
- the effect of any current or future litigation proceedings, including an unfavorable outcome in an outstanding lawsuit relating to the Company’s 5.75% Senior Notes due 2018 even though the Company believes the lawsuit is without merit and will vigorously defend its position, and any judicial decisions or rule-making that affects the Company, its products or the legality or enforceability of its arbitration agreements;
- risks related to the Company’s financing, such as compliance with financial covenants in the Company’s debt agreements or the Company’s ability to satisfy its outstanding debt obligations, to refinance existing debt obligations or to obtain new capital;
- accounting and income tax risks related to goodwill and other intangible asset impairment, certain tax positions taken by the Company and other accounting matters that require the judgment of management;
- the Company’s ability to attract and retain qualified executive officers;
- risks related to interruptions to the Company’s business operations, such as a prolonged interruption in the Company’s operations of its facilities, systems or business functions, cyber-attacks or security breaches or the actions of third parties who provide, acquire or offer products and services to, from or for the Company;
- risks related to the expansion and growth of the Company’s business, including the Company’s ability to open new locations in accordance with plans or to successfully integrate newly acquired businesses into its operations;
- risks related to the spin-off of the Company’s former online lending business that comprised its e-commerce division, Enova International, Inc.;
- fluctuations in the price of the Company’s common stock;
- the effect of any of the above changes on the Company’s business or the markets in which the Company operates; and
- other risks and uncertainties described in this report or from time to time in the Company’s filings with the Securities and Exchange Commission (“SEC”).

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The foregoing list of factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this quarterly report, including under the caption “Risk Factors” in Item 1A of this quarterly report. In addition, new factors may emerge or changes to these factors may occur that would impact the Company’s business. Additional information regarding these and other risks can be found in this quarterly report and may also be contained in the Company’s other filings with the SEC, especially on Forms 10-K, 10-Q and 8-K. If one or more events related to these or other risks or uncertainties materialize, or if management’s underlying assumptions prove to be incorrect, actual results may differ materially from those the Company anticipates. The Company disclaims any intention or obligation to update or revise any forward-looking statements to reflect events or circumstances occurring after the date of this report. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)
(Unaudited)

	June 30,		December 31,
	2016	2015	2015
Assets			
Current assets:			
Cash and cash equivalents	$20,029	$43,986	$23,153
Pawn loans	237,220	247,381	248,713
Merchandise held for disposition, net	218,262	203,006	241,549
Pawn loan fees and service charges receivable	49,800	50,317	52,798
Consumer loans, net	27,226	30,393	31,291
Income taxes receivable	3,993	4,084	—
Prepaid expenses and other assets	23,082	25,314	22,642
Investment in equity securities	47,069	109,140	42,613
Total current assets	626,681	713,621	662,759
Property and equipment, net	155,779	182,051	171,598
Goodwill	488,522	487,569	488,022
Intangible assets, net	36,523	42,562	39,536
Other assets	6,652	5,913	6,823
Total assets	$1,314,157	$1,431,716	$1,368,738
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued expenses	$62,349	$71,586	$74,586
Customer deposits	21,613	20,350	18,864
Income taxes currently payable	—	—	3,063
Total current liabilities	83,962	91,936	96,513
Deferred tax liabilities	69,323	90,689	64,372
Other liabilities	630	838	723
Long-term debt	183,280	181,319	208,971
Total liabilities	$337,195	$364,782	$370,579
Equity:			
Common stock, $0.10 par value per share, 80,000,000 shares authorized, 30,235,164 shares issued	3,024	3,024	3,024
Additional paid-in capital	82,836	80,702	86,557
Retained earnings	1,061,391	1,037,505	1,052,567
Accumulated other comprehensive income	17,817	57,649	14,842
Treasury shares, at cost (6,241,981 shares, 3,678,936 shares and 5,362,684 shares as of June 30, 2016 and 2015, and as of December 31, 2015, respectively)	(188,106)	(111,946)	(158,831)
Total equity	976,962	1,066,934	998,159

Total liabilities and equity	$1,314,157	$1,431,716	$1,368,738

See notes to consolidated financial statements.
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CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue				
Pawn loan fees and service charges	$76,110	$76,899	$155,795	$154,212
Proceeds from disposition of merchandise	148,138	138,703	326,435	310,916
Consumer loan fees	16,066	19,311	34,173	39,630
Other	837	1,551	1,953	3,468
Total Revenue	241,151	236,464	518,356	508,226
Cost of Revenue				
Disposed merchandise	109,384	98,060	238,602	217,944
Consumer loan loss provision	3,552	4,413	7,495	9,200
Total Cost of Revenue	112,936	102,473	246,097	227,144
Net Revenue	128,215	133,991	272,259	281,082
Expenses				
Operations and administration	108,614	113,306	219,405	229,644
Depreciation and amortization	13,028	14,559	26,533	29,078
Gain on divestitures	—	(201)	—	(201)
Total Expenses	121,642	127,664	245,938	258,521
Income from Operations	6,573	6,327	26,321	22,561
Interest expense	(3,436)	(3,557)	(7,355)	(7,201)
Interest income	—	5	20	7
Foreign currency transaction (loss) gain	—	(7)	—	32
Loss on early extinguishment of debt	—	(607)	(11)	(607)
Gain on disposition of equity securities	6	1,099	123	1,225
Income before Income Taxes	3,143	3,260	19,098	16,017
Provision for income taxes	1,045	1,189	6,367	6,101
Net Income	$2,098	$2,071	$12,731	$9,916
Earnings Per Share:				
Net Income:				
Basic	$0.09	$0.08	$0.52	$0.35
Diluted	$0.08	$0.08	$0.51	$0.35
Weighted average common shares outstanding:				
Basic	24,326	27,326	24,569	28,005
Diluted	24,714	27,508	24,908	28,124
Dividends declared per common share	$0.08	$0.05	$0.16	$0.10

See notes to consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net Income	$2,098	$2,071	$12,731	$9,916
Other comprehensive income (loss), net of tax:				
Change in fair value of marketable equity securities before reclassification [a]	4,329	(3,741)	3,054	(13,520)
Gain on disposition of equity securities reclassified from accumulated other comprehensive income [b]	(4)	(709)	(79)	(790)
Total other comprehensive income (loss), net of tax	$4,325	$(4,450)	$2,975	$(14,310)
Comprehensive income (loss)	$6,423	$(2,379)	$15,706	$(4,394)

(a) Net of tax (provision) benefit of $(2,385) and $2,066 for the three months ended June 30, 2016 and 2015, respectively, and $(1,683) and $7,416 for the six months ended June 30, 2016 and 2015, respectively.

(b) Includes a $6 and $1,099 gain on available-for-sale securities that was reclassified to "Gain on disposition of equity securities" in the consolidated statements of income for the three months ended June 30, 2016 and 2015, respectively, and $123 and $1,225 for the six months ended June 30, 2016 and 2015, respectively. The tax impact of these reclassification were $2 and $390 for the three months ended June 30, 2016 and 2015, respectively, and $44 and $435 for the six months ended June 30, 2016 and 2015, respectively.

See notes to consolidated financial statements.

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

	Common Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury shares, at cost		Total Equity
	Shares	Amount				Shares	Amount	
Balance as of January 1, 2015	30,235,164	$ 3,024	$ 86,388	$ 1,030,387	$ 71,959	(1,428,495)	$ (58,556)	$ 1,133,202
Shares issued under stock-based plans			(5,896)			112,757	4,292	(1,604)
Stock-based compensation expense			3,247					3,247
Income tax benefit from stock-based compensation			256					256
Net income				9,916				9,916
Dividends paid				(2,798)				(2,798)
Marketable equity securities loss, net of tax					(14,310)			(14,310)
Purchases of treasury shares			(3,293)			(2,363,198)	(57,682)	(60,975)
Balance as of June 30, 2015	30,235,164	$ 3,024	$ 80,702	$ 1,037,505	$ 57,649	(3,678,936)	$ (111,946)	$ 1,066,934
Balance as of January 1, 2016	30,235,164	$ 3,024	$ 86,557	$ 1,052,567	$ 14,842	(5,362,684)	$ (158,831)	$ 998,159
Shares issued under stock-based plans			(6,580)			211,861	6,294	(286)
Stock-based compensation expense			2,859					2,859
Net income				12,731				12,731
Dividends paid				(3,907)				(3,907)
Marketable equity securities gain, net of tax					2,975			2,975
Purchases of treasury shares						(1,091,158)	(35,569)	(35,569)
Balance as of June 30, 2016	30,235,164	$ 3,024	$ 82,836	$ 1,061,391	$ 17,817	(6,241,981)	$ (188,106)	$ 976,962

See notes to consolidated financial statements.

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

	Six Months Ended June 30, 2016	2015
Cash Flows from Operating Activities		
Net Income	$12,731	$9,916
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expenses	26,533	29,078
Amortization of debt discount and issuance costs	987	1,035
Consumer loan loss provision	7,495	9,200
Stock-based compensation	2,859	3,247
Deferred income taxes, net	3,312	(1,676)
Non-cash loss on early extinguishment of debt	41	216
Non-cash gain on disposition of equity securities	(123)	(1,225)
Other	5,056	4,128
Changes in operating assets and liabilities, net of assets acquired:		
Merchandise other than forfeited	16,229	3,656
Pawn loan fees and service charges receivable	3,009	3,223
Finance and service charges on consumer loans	(51)	535
Prepaid expenses and other assets	303	(5,821)
Accounts payable and accrued expenses	(11,569)	(1,420)
Current and noncurrent income taxes	(7,056)	5,053
Other operating assets and liabilities	2,739	3,082
Net cash provided by operating activities	62,495	62,227
Cash Flows from Investing Activities		
Pawn loans made	(378,586)	(375,817)
Pawn loans repaid	223,497	225,833
Principal recovered through dispositions of forfeited pawn loans	168,874	155,952
Consumer loans made or purchased	(193,577)	(249,770)
Consumer loans repaid	188,546	254,061
Acquisitions, net of cash acquired	(867)	—
Purchases of property and equipment	(7,622)	(6,883)
Proceeds from disposition of marketable equity securities	93	351
Other investing activities	(232)	1,215
Net cash provided by investing activities	126	4,942
Cash Flows from Financing Activities		
Net payments under bank lines of credit	(23,269)	—
Repurchases of notes payable	(3,000)	(12,411)
Treasury shares purchased	(35,569)	(57,682)
Accelerated share repurchases forward contact	—	(3,293)
Dividends paid	(3,907)	(2,798)
Net cash used in financing activities	(65,745)	(76,184)
Effect of exchange rates on cash	—	(41)

Net decrease in cash and cash equivalents	(3,124)	(9,056)
Cash and cash equivalents at beginning of year	23,153	53,042
Cash and cash equivalents at end of period	$20,029	$43,986
Supplemental Disclosures		
Non-cash investing and financing activities		
Pawn loans forfeited and transferred to merchandise held for disposition	$165,590	$153,267
Pawn loans renewed	$95,375	$103,789

See notes to consolidated financial statements.

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

1. Significant Accounting Policies

Basis of Presentation

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

The financial statements presented as of June 30, 2016 and 2015 and for the six-month periods ended June 30, 2016 and 2015 are unaudited but, in management’s opinion, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for such interim periods. The consolidated balance sheet data as of December 31, 2015 included herein was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles in the United States of America (“GAAP”). Operating results for the three- and six-month periods ended June 30, 2016 are not necessarily indicative of the results that may be expected for the full fiscal year.

The Company’s primary line of business is pawn lending. Pawn loans are short-term loans made on the pledge of tangible personal property. Pawn loan fees and service charges are generated from the Company’s pawn loan portfolio. In relation to its pawn lending operations, the Company also disposes of collateral from unredeemed pawn loans and liquidates a smaller volume of merchandise purchased directly from customers or from third parties.

Another component of the Company’s business is originating, arranging, guaranteeing or purchasing consumer loans in some of its locations. Consumer loans provide customers with cash, typically in exchange for an obligation to repay the amount advanced plus fees and any applicable interest. Consumer loans offered by the Company are either written by the Company or by a third-party lender through the Company’s credit services organization or credit access business programs (“CSO programs”) and include short-term loans (commonly referred to as payday loans) and installment loans. Revenue from consumer loan fees includes interest income, finance charges and fees for services provided through the CSO programs (“CSO fees”). For more information on the Company’s CSO programs, see “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—the Company’s Business—Consumer Loan Activities.”

A small component of the Company’s business includes the offering of check cashing services through franchised check cashing centers, for which the Company receives franchise fees. In addition, in some of its Company-operated lending locations, the Company offers check cashing services, as well as prepaid debit cards that are issued and serviced through a third party.

The Company has one reportable operating segment, and therefore, all required financial segment information can be found directly in the consolidated financial statements. The Company evaluates the performance of its reportable segment based on income from operations.

These financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

Goodwill and Other Indefinite Lived Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination and is not amortized. In accordance with Accounting Standards Codification (“ASC”) 350-20-35, Goodwill-Subsequent Measurement (“ASC 350”), the Company tests goodwill and intangible assets with an indefinite life for potential impairment annually as of June 30 and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount, which would result in impairment. The Company has one reportable operating segment, which serves as the only reporting unit for goodwill assessment.

The Company completed its annual assessment of goodwill as of June 30, 2016. The Company elected to perform a qualitative assessment in accordance with ASU 2012-02, Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment ("ASU 2012-02"), and, based on the results of this assessment, determined that no conditions existed that would make it more likely than not that goodwill was impaired.

As part of the goodwill assessment, the Company also considers certain observable quantitative factors in its assessment, such as the market value of its equity, which is the observable market value of the Company based on the quoted market prices of the Company's common stock at the measurement date. The Company compares the market value of its equity to the carrying value of its equity. As of June 30, 2016, the market value of the Company's equity was higher than the carrying value of equity. In addition, as part of the Agreement and Plan of Merger (the "Merger Agreement") entered into by the Company, First Cash Financial Services, Inc., a Delaware corporation ("FCFS"), and Frontier Merger Sub, LLC, a Texas limited liability company, the estimated merger consideration based on the stock price of FCFS as of June 30, 2016 was in excess of the Company's carrying value of equity. See Note 8 for a description of the Merger Agreement with FCFS. Therefore, the Company's goodwill is not considered to be at risk of being impaired at this time. However, a decline in general economic, market or business conditions, significant unfavorable changes in the Company's forecasted revenue, expenses, cash flows, weighted-average cost of capital, and/or market transaction multiples, or a termination of the Merger Agreement could represent a potential triggering event that may indicate an impairment review should be performed. The Company will continue to monitor for events and circumstances that could negatively impact the key assumptions in determining its fair value.

The Company performed its annual indefinite-lived intangible asset impairment test as of June 30, 2016. The Company's indefinite-lived intangible assets consist of trademarks, trade names, and licenses and had a carrying amount of $15.0 million as of June 30, 2016. The Company elected to perform a qualitative assessment in accordance with ASU 2012-02 and determined that no conditions existed that would make it more likely than not that the indefinite-lived intangible assets were impaired. Therefore, no further quantitative assessment was required.

Adopted Accounting Standards

In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), which simplifies several aspects related to the accounting for share-based payment transactions. Per ASU 2016-09: (1) all excess tax benefits and tax deficiencies should be recognized as income tax expense or benefit in the income statement, rather than in additional paid-in capital under current guidance; (2) excess tax benefits should be classified along with other income tax cash flows as an operating activity on the statement of cash flows, rather than as a separate cash inflow from financing activities and cash outflow from operating activities under current guidance; (3) cash paid by an employer when directly withholding shares for tax-withholding purposes should be classified as a financing activity; and (4) an entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest, which is consistent with current guidance, or account for forfeitures when they occur. ASU 2016-09 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted.

Effective January 1, 2016, the Company elected to early adopt ASU 2016-09. The Company prospectively applied the guidance dictating that excess tax benefits be recognized on the income statement. For the three and six months ended

June 30, 2016, the Company recognized an excess income tax benefit of $0.2 million and $0.7 million, respectively, that reduced the income tax provision and increased net income on the consolidated statements of income. The Company retrospectively applied the guidance dictating the presentation of excess tax benefits as an operating cash flow and included the $0.7 million excess income tax benefit as part of “Current and noncurrent income taxes" presented as an operating activity on the consolidated statement of cash flows for the six months ended June 30, 2016. For the six months ended June 30, 2015, the $0.3 million excess tax benefit presented as offsetting operating and financing activities in the consolidated cash flow statements within the quarterly report filed on Form 10-Q for the six months ended June 30, 2015 was eliminated from the presentation due to the adoption of this guidance. In addition, the Company retrospectively applied the guidance dictating that cash paid by an employer when directly withholding shares for tax-withholding purposes be classified as a financing activity, and, consistent with prior period presentation, these amounts were included as part of "Treasury shares purchased" presented as a financing activity on the consolidated statement of cash flows for the six months ended June 30, 2016 and 2015. Finally, the Company elected to account for forfeitures when they occur.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"), which requires that all deferred tax assets and liabilities be classified as noncurrent on the balance sheet. ASU 2015-17 eliminates the current requirement for an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts on the balance sheet. ASU 2015-17 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2016 and can be prospectively or retrospectively applied. Early adoption is permitted. The Company early adopted ASU 2015-17 on January 1, 2016 and retrospectively applied ASU 2015-17 for all periods presented. The impact of this change in accounting principle on amounts previously reported on the consolidated balance sheet as of June 30, 2015 was a reclassification of $20.4 million previously reported as "Current deferred tax liabilities" in the current liabilities section of the consolidated balance sheet to "Deferred tax liabilities" in the noncurrent liabilities section of the consolidated balance sheet. As of December 31, 2015, the impact of this change in accounting principle resulted in a reclassification of $7.7 million previously reported as "Current deferred tax assets" in the current assets section of the consolidated balance sheet to "Deferred tax liabilities" in the noncurrent liabilities section of the consolidated balance sheet.

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. In addition, since ASU 2015-03 does not address presentation or subsequent measurement of debt issuance costs specifically related to line-of-credit arrangements, the FASB also issued ASU 2015-15, Interest-Imputed Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements ("ASU 2015-15"), in August 2015. ASU 2015-15 states that, for line-of-credit arrangements, entities can continue to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt costs ratably over the term of the arrangement. ASU 2015-03 and ASU 2015-15 apply to all business entities and are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015.

On January 1, 2016, the Company retrospectively adopted ASU 2015-03 and ASU 2015-15. As a result, unamortized debt issuance costs related to the Company's $300.0 million in aggregate principal amount of 5.75% senior notes due 2018 (the "2018 Senior Notes") of $2.0 million, $3.1 million and $2.6 million as of June 30, 2016 and 2015 and December 31, 2015, respectively, were reclassified from "Other assets" to a deduction of "Long-term debt" on the Company's consolidated balance sheets. Unamortized debt issuance costs related to the Company's $280.0 million line of credit due 2018 (the "Line of Credit") of $1.1 million, $1.4 million and $1.4 million as of June 30, 2016 and 2015 and December 31, 2015, respectively, remain in "Other assets" on the Company's consolidated balance sheets. Adoption of ASU 2015-03 and ASU 2015-15 did not impact the results of operations, retained earnings or cash flows in the current or previous reporting periods.

In April 2015, the FASB issued ASU 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement (“ASU 2015-05”), which defines specific criteria that entities must apply to determine if a cloud computing arrangement includes an in-substance software license. The result of the assessment will direct the entity to apply either software licensing or service contract guidance to record the related fees. ASU 2015-05 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015 and can be prospectively or retrospectively

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applied. The Company prospectively adopted ASU 2015-02 on January 1, 2016, and the adoption did not have a material effect on its financial position or results of operations.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"), which provides guidance for reporting entities that are required to evaluate whether they should consolidate certain legal entities. In accordance with ASU 2015-02, all legal entities are subject to reevaluation under the revised consolidation model. ASU 2015-02 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Entities are permitted to apply ASU 2015-02 either retrospectively or through a modified retrospective approach. The Company retrospectively adopted ASU 2015-02 on January 1, 2016, and the adoption did not have a material effect on its financial position or results of operations.

Accounting Standards to be Adopted in Future Periods

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires entities to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. Entities will now use forward-looking information to better form their credit loss estimates. ASU 2016-13 is effective for public entities that are Securities and Exchange Commission ("SEC") filers for annual periods, and interim periods within those annual periods, beginning after December 15, 2019. The Company does not expect that the adoption of ASU 2016-13 will have a material effect on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Transaction to the Equity Method of Accounting ("ASU 2016-07"), which eliminates the requirement that when an investment qualifies for the use of the equity method as a result of an increase in the level of ownership interest or degree of influence, the investor must adjust the investment, results of operations and retained earnings retrospectively as if the equity method had been in effect during all previous periods in which the investment had been held. ASU 2016-07 requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. In addition, ASU 2016-07 requires that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. ASU 2016-07 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016, and should be applied prospectively. Early adoption is permitted. Since the Company does not account for its investment in Enova common stock under the equity method of accounting, the Company does not expect that the adoption of ASU 2016-07 will have a material effect on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 824) ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to recognize the following for all leases with terms longer than 12 months: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of 12 months or less will be accounted for similarly to existing guidance for operating leases today. In addition, ASU 2016-02 aligns lessor accounting with the lessee accounting model and ASU 2014-09, Revenue from Contracts with Customers (Topic 606) Section A—Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs—Contracts with Customers (Subtopic 340-40) (“ASU 2014-09”). ASU 2016-02 is effective for public companies for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted. Entities must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company is still assessing the potential impact of ASU 2016-02 on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), which requires that equity investments, except for those accounted for under the equity method or those that result in consolidation of the investee, be measured at fair value, with subsequent changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. ASU 2016-01 also impacts the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted only for certain provisions. The Company does not expect that the adoption of ASU 2016-01 will have a material effect on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. ASU 2014-09 requires entities to recognize revenue in a way that depicts the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606), which defers the effective date of ASU 2014-09 by one year. In addition, between March 2016 and May 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (“ASU 2016-08”), ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing (“ASU 2016-10”) and ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients (“ASU 2016-12”). ASU 2016-08, ASU 2016-10 and ASU 2016-12 clarify certain aspects of ASU 2014-09 and provide additional implementation guidance. For public business entities, ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted at, but not before, the original effective date, which is for fiscal years, and interim periods within those years, beginning after December 15, 2016. Entities are permitted to apply ASU 2014-09, ASU 2016-08, ASU 2016-10, and ASU 2016-12 either retrospectively or through an alternative transition model. The Company does not expect that the adoption of ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12 will have a material effect on its consolidated financial statements.

2. Credit Quality Information on Pawn Loans

In its pawn loan portfolio, the Company monitors the type and adequacy of collateral compared to historical forfeiture rates, average loan amounts and gross profit margins, among other factors. If a pawn loan defaults, the Company relies on the disposition of forfeited merchandise to recover the principal amount of an unpaid pawn loan, plus a yield on the investment, because the Company’s pawn loans are non-recourse against the customer. In addition, a pawn loan customer’s creditworthiness does not affect the Company’s financial position or results of operations. Generally, forfeited merchandise has historically sold for an amount in excess of the carrying value of the merchandise. Goods pledged to secure pawn loans are tangible personal property items such as jewelry, tools, televisions and other electronics, musical instruments and other miscellaneous items.

A pawn loan is considered delinquent if the customer does not repay or, where allowed by law, renew or extend the loan on or prior to its contractual maturity date plus any applicable grace period. Therefore, the balance of “Pawn loans” in the consolidated balance sheets includes delinquent loans that are in the process of being moved to merchandise held for disposition but have not yet been transferred. Pawn loan fees and service charges do not accrue on delinquent pawn loans. When a pawn loan is considered delinquent, any accrued pawn loan fees and service charges are reversed, and no additional pawn loan fees and service charges are accrued. As of June 30, 2016 and 2015 and December 31, 2015, the Company had current pawn loans outstanding of $229.2 million, $239.2 million and $241.6 million, respectively, and delinquent pawn loans outstanding of $8.0 million, $8.2 million and $7.1 million, respectively.

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

Current and Delinquent Consumer Loans

The Company classifies its consumer loans as either current or delinquent. Short-term loans are considered delinquent when payment of an amount due is not made as of the due date. Installment loans are considered delinquent when a customer misses two payments. The Company allows for normal payment processing time before considering a loan delinquent but does not provide for any additional grace period.

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

Allowance and Liability for Estimated Losses on Consumer Loans

The Company monitors the performance of its consumer loan portfolio and maintains either an allowance or liability for estimated losses on consumer loans (including earned fees and interest) at a level estimated to be adequate to absorb credit losses inherent in the portfolio. The allowance for estimated losses on the consumer loans owned by the Company reduces the outstanding loan balance in the consolidated balance sheets. The liability for estimated losses related to loans guaranteed under the Company’s CSO programs is included in “Accounts payable and accrued expenses” in the consolidated balance sheets. Increases or decreases in the allowance and the liability for estimated losses are increased by charge-offs and decreased by recoveries, and the net change is recorded as “Consumer loan loss provision” in the consolidated statements of income.

In determining the allowance or liability for estimated losses on consumer loans, the Company applies a documented systematic methodology. In calculating the allowance or liability for loan losses, outstanding loans are divided into discrete groups of short-term loans and installment loans and are analyzed as current or delinquent.

The allowance or liability for short-term loans classified as current is based on historical loss rates adjusted for recent default trends for current loans. For delinquent short-term loans, the allowance or liability is based on a six-month rolling average of loss rates by stage of collection. For installment loans, the Company uses a migration analysis to estimate losses inherent in the portfolio once an adequate period of time has elapsed in order for the Company to generate a meaningful indication of performance history. The allowance or liability calculation under the migration analysis is based on historical charge-off experience and the loss emergence period, which represents the average amount of time between the first occurrence of a loss event to the charge-off of a loan. The factors the Company considers in determining the adequacy of the allowance or liability include past due performance, historical behavior of monthly vintages, underwriting changes and recent trends in delinquency in the migration analysis. Prior to the establishment of an indicative migration analysis, the Company estimates future losses for its installment loans based on the historical charge-off experience of the total portfolio on a static pool basis.

The Company fully reserves or charges off consumer loans once the loan has been classified as delinquent for 60 days. If a loan is estimated to be uncollectible before it is fully reserved, it is charged off at that point. Consumer loans classified as delinquent generally have an age of one to 59 days from the date the loan became delinquent, as defined above. Recoveries on loans previously charged to the allowance, including the sale of delinquent loans to unaffiliated third parties, are credited to the allowance when collected or when sold to a third party.

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The components of Company-owned consumer loan portfolio receivables as of June 30, 2016 and 2015 and December 31, 2015 were as follows (dollars in thousands):

	As of June 30, 2016	As of June 30, 2015	As of December 31, 2015
Short-term loans			
Current loans	$23,726	$25,573	$ 26,304
Delinquent loans	2,539	3,519	2,723
Total consumer loans, gross	26,265	29,092	29,027
Less: Allowance for losses	(1,350)	(2,106)	(1,651)
Consumer loans, net	$24,915	$26,986	$ 27,376
Installment loans			
Current loans	$1,563	$2,334	$ 2,027
Delinquent loans	1,706	2,500	3,133
Total consumer loans, gross	3,269	4,834	5,160
Less: Allowance for losses	(958)	(1,427)	(1,245)
Consumer loans, net	$2,311	$3,407	$ 3,915
Total Company-owned consumer loans			
Current loans	$25,289	$27,907	$ 28,331
Delinquent loans	4,245	6,019	5,856
Total consumer loans, gross	29,534	33,926	34,187
Less: Allowance for losses	(2,308)	(3,533)	(2,896)
Consumer loans, net	$27,226	$30,393	$ 31,291

Changes in the allowance for losses for Company-owned consumer loans and the liability for estimated losses on the Company's guarantees of third-party lender-owned consumer loans through the CSO programs for the three and six months ended June 30, 2016 and 2015 were as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Short-term loans				
Allowance for losses for Company-owned consumer loans:				
Balance at beginning of period	$1,164	$2,034	$1,651	$2,736
Consumer loan loss provision	2,319	1,767	4,692	5,073
Charge-offs	(2,657)	(4,406)	(6,228)	(10,121)
Recoveries	524	2,711	1,235	4,418
Balance at end of period	$1,350	$2,106	$1,350	$2,106
Liability for third-party lender-owned consumer loans:				
Balance at beginning of period	$26	$215	$30	$402
Consumer loan loss provision	1	(56)	(3)	(243)
Balance at end of period	$27	$159	$27	$159
Installment loans				
Allowance for losses for Company-owned consumer loans:				
Balance at beginning of period	$1,087	$1,191	$1,245	$1,426
Consumer loan loss provision	1,413	1,965	4,449	3,265
Charge-offs	(2,223)	(2,007)	(5,781)	(3,914)
Recoveries	681	278	1,045	650
Balance at end of period	$958	$1,427	$958	$1,427
Liability for third-party lender-owned consumer loans:				
Balance at beginning of period	$494	$1,026	$1,956	$658
Consumer loan loss provision	(181)	737	(1,643)	1,105
Balance at end of period	$313	$1,763	$313	$1,763
Total consumer loans				
Allowance for losses for Company-owned consumer loans:				
Balance at beginning of period	$2,251	$3,225	$2,896	$4,162
Consumer loan loss provision [(a)]	3,732	3,732	9,141	8,338
Charge-offs	(4,880)	(6,413)	(12,009)	(14,035)
Recoveries	1,205	2,989	2,280	5,068
Balance at end of period	$2,308	$3,533	$2,308	$3,533
Liability for third-party lender-owned consumer loans:				
Balance at beginning of period	$520	$1,241	$1,986	$1,060
Consumer loan loss provision [(a)]	(180)	681	(1,646)	862
Balance at end of period	$340	$1,922	$340	$1,922

[(a)] The sum of the consumer loan loss provision related to the allowance for losses for Company-owned consumer loans and the consumer loan loss provision related to the liability for third-party lender-owned consumer equals the consumer loan loss provision presented on the consolidated statements of income for the respective time periods.

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In connection with its CSO programs, the Company guarantees consumer loan payment obligations to unrelated third-party lenders for short-term loans, unsecured installment loans and the remaining outstanding installment loans that are secured by a customer’s vehicle, which the Company ceased offering in the latter half of 2015. The guarantee represents an obligation to purchase specific loans that go into default.

Short-term loans that the Company guarantees generally have terms of 45 days or less. Unsecured installment loans that the Company guarantees generally have terms of up to twelve months. Secured installment loans that the Company guarantees, which the Company ceased offering in the latter half of 2015, have remaining terms of up to 23 months. As of June 30, 2016 and 2015 and December 31, 2015, the amount of consumer loans guaranteed by the Company, excluding unearned CSO fees, was $7.4 million, $12.9 million and $11.1 million, respectively, representing amounts due under consumer loans originated by third-party lenders under the CSO programs. The liability for estimated losses on consumer loans guaranteed by the Company of $0.3 million, $1.9 million and $2.0 million, as of June 30, 2016 and 2015 and December 31, 2015, respectively, is included in “Accounts payable and accrued expenses” in the accompanying consolidated balance sheets.

4. Investment in Enova

Upon completion of the distribution of approximately 80% of the outstanding shares of Enova International, Inc. (“Enova”) common stock to the Company’s shareholders in November 2014 (the “Enova Spin-off”), the Company retained approximately 20 percent, or 6,596,927 shares of Enova common stock, and the Company agreed, pursuant to a private letter ruling it obtained in connection with the Enova Spin-off, to dispose of its retained shares of Enova common stock (other than the shares retained for delivery under the Company’s long-term incentive plans (the “LTIPs”) as described below) no later than November 13, 2016, which is two years after the date of the Enova Spin-off. At the time of the private letter ruling, Company management believed that the Company’s shares of Enova common stock would be registered with the SEC on approximately the same date as the Enova Spin-off in order to efficiently dispose of the shares in open market dispositions over a two-year period. Due to unanticipated delays in the registration process, the Company’s shares of Enova common stock were not registered until September 15, 2015. Shortly after the shares were registered, the Company filed a supplemental request with the Internal Revenue Service requesting an extension of the original two-year period to dispose of its retained shares of Enova common stock. In March 2016, the Internal Revenue Service granted the request and extended the date by which the Company was required to dispose of its shares of Enova common stock to September 15, 2017.

All of the retained shares of Enova common stock (including shares retained for delivery under the Company’s LTIPs as described below) are classified as “available-for-sale securities” in accordance with ASC 320, Investments-Debt and Equity Securities (“ASC 320”). The Company does not account for its investment in Enova common stock under the equity method for the following reasons. The Company does not have the ability to significantly influence the strategy or the operating or financial policies of Enova. The Company does not share employees or management with Enova and does not participate in any policy-making process of Enova. The Company does not have the right to vote on matters put before Enova stockholders because it has granted Enova a proxy to vote its shares in the same proportion as the other stockholders of Enova on all such matters. In addition, the Company has agreed to divest its ownership in Enova prior to September 15, 2017, as discussed above. While Daniel R. Feehan, the Company’s Executive Chairman of the Board, serves as one of nine members of Enova’s Board of Directors, he does not serve on any committees of Enova’s Board of Directors, and the Company is not able to influence his future election to Enova’s Board of Directors because it does not have voting power with respect to the shares of Enova that it owns. The Company also does not have any material business relationships with Enova.

The retained shares of Enova common stock include a portion of shares of Enova common stock that may be delivered by the Company, based on applicable vesting or deferral terms, to holders of certain outstanding unvested restricted stock units (“RSUs”), vested deferred RSUs, and unvested deferred RSUs that were granted by the Company under the LTIPs to certain of its officers, directors and employees, as well as shares that are deliverable to certain directors who have elected to defer a portion of their director fees to be paid in the form of

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common stock of the Company (“Director Deferred Shares”), if such equity awards and Director Deferred Shares were outstanding under the LTIPs on the date of the Enova Spin-off.

Such RSU awards and Director Deferred Shares will be payable by the Company in both shares of Company common stock and Enova common stock, subject to the terms of the LTIPs and/or the applicable award agreements. The delivery of the Enova shares of common stock occurs periodically based on the vesting or deferral terms that are applicable to the RSU awards or Director Deferred Shares. In the event the award does not vest and shares are forfeited or if shares are withheld to pay taxes for vested awards, the Enova shares will be retained by the Company and sold.

As of June 30, 2016, the Company owned 6,424,231 shares and had allocated 425,096 of these retained shares for delivery under the LTIPs (as described above), resulting in the Company’s implied residual ownership in Enova equal to approximately 18 percent of the outstanding Enova common stock as of June 30, 2016. See table below for additional information.

As of June 30, 2016, the Company’s cost basis in its investment in Enova common stock was approximately $19.5 million, and an unrealized gain of approximately $27.6 million was included in “Accumulated other comprehensive income.” For the six months ended June 30, 2016 and 2015, the Company recognized a gain of approximately $0.1 million and $1.2 million, respectively, for the disposition of Enova common stock as a result of the distribution of shares for payment of RSU awards, as well as the sale of shares that were withheld to pay taxes for issued awards. The Company’s investment in Enova common stock is included in “Investment in equity securities” in the consolidated balance sheets, and the unrealized gain on the Company’s investment in Enova common stock comprises the entire balance of “Accumulated other comprehensive income” as of June 30, 2016 and 2015 and December 31, 2015. Activity during the six months ended June 30, 2016 for the Enova shares retained by the Company is shown below (shares in ones):

	Enova Shares Attributed to the Company [a]	Potential Enova Shares to be Delivered Under the LTIPs [b]	Total Enova Shares Held by the Company
Enova shares at December 31, 2015	5,964,106	511,505	6,475,611
Forfeitures [c]	35,029	(35,029)	—
Shares delivered under the LTIPs	—	(33,458)	(33,458)
Shares withheld for taxes and sold	—	(17,922)	(17,922)
Shares held as of June 30, 2016	5,999,135	425,096	6,424,231
Approximate % ownership of Enova as of June 30, 2016	18.1 %	1.3 %	19.4 %

(a) Does not include shares retained for delivery under the LTIPs.
(b) The Enova shares payable for vested deferred RSUs and Director Deferred Shares are held in a rabbi trust.
(c) Shares initially allocated for delivery under the LTIPs that were forfeited prior to vesting are attributed to the Company and are to be disposed of by the Company.

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5. Long-term Debt

The Company's long-term debt instruments and balance outstanding as of June 30, 2016 and 2015 and December 31, 2015 were as follows (dollars in thousands):

	Balance as of		
	June 30,		December 31,
	2016	2015	2015
Line of credit due 2018	$3,839	$—	$27,108
5.75% senior unsecured notes due 2018:			
5.75% senior unsecured notes due 2018, outstanding principal	181,450	184,450	184,450
Unamortized debt issuance costs	(2,009)	(3,131)	(2,587)
5.75% senior unsecured notes due 2018, net of debt issuance costs	179,441	181,319	181,863
Total long-term debt	$183,280	$181,319	$208,971

Line of Credit

The Company has a credit agreement with a syndicate of financial institutions as lenders that was entered into on March 30, 2011 and later amended (the "Credit Agreement"). The Credit Agreement, as amended, provides for a line of credit in an aggregate principal amount of up to $280.0 million permitting revolving credit loans ("Line of Credit"). The Credit Agreement is guaranteed by the Company's domestic subsidiaries and matures on March 31, 2018. The Credit Agreement contains an accordion feature whereby the Line of Credit may be increased up to an additional $100.0 million with the consent of any increasing lenders.

Interest on the Line of Credit is charged, at the Company's option, at either the London Interbank Offered Rate ("LIBOR") for one week or one-, two-, three- or six-month periods, as selected by the Company, plus a margin varying from 2.00% to 3.25% or at the agent's base rate plus a margin varying from 0.50% to 1.75%. The margin for the Line of Credit is dependent on the Company's cash flow leverage ratios as defined in the Credit Agreement. The Company also pays a fee on the unused portion of the Line of Credit ranging from 0.25% to 0.50% (0.38% as of June 30, 2016) based on the Company's cash flow leverage ratios.

The Company had $3.8 million and $27.1 million of borrowings outstanding under the Line of Credit as of June 30, 2016 and December 31, 2015, respectively. As of June 30, 2016, borrowings under the Line of Credit consisted of one pricing tranche with a maturity date of one day. As of December 31, 2015, borrowings under the Line of Credit consisted of two pricing tranches with maturity dates ranging from five to eight days. The Company had no borrowings outstanding under the Line of Credit as of June 30, 2015. The weighted average interest rate (including margin) on the Line of Credit was 3.69% and 3.48% as of June 30, 2016 and December 31, 2015, respectively. The Company may routinely refinance its borrowings pursuant to the terms of its Line of Credit. Therefore, these borrowings are considered part of the applicable line of credit and as long-term debt.

Letter of Credit Facility

When the Company entered into the Credit Agreement, it also entered into a Standby Letter of Credit Agreement (the "LC Agreement") for the issuance of up to $20.0 million in letters of credit (the "Letter of Credit Facility") that is guaranteed by the Company's domestic subsidiaries and matures on March 31, 2018. In the event that an amount is paid by the issuing bank under a standby letter of credit, it will be due and payable by the Company on demand, and amounts due by the Company under the LC Agreement will bear interest annually at a rate that is the lesser of (a) 2% above the prime rate for Wells Fargo Bank, National Association or (b) the maximum rate of interest permissible under applicable laws. The LC Agreement also requires the Company to pay quarterly fees equal to the applicable margin set forth in the LC Agreement on the undrawn amount of the credit outstanding.

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The Company had standby letters of credit of $6.0 million issued under its Letter of Credit Facility as of June 30, 2016.

$300.0 million 5.75% Senior Unsecured Notes

On May 15, 2013, the Company issued and sold $300.0 million in aggregate principal amount of the 2018 Senior Notes. The 2018 Senior Notes bear interest at a rate of 5.75% annually on the principal amount, payable semi-annually in arrears on May 15 and November 15 of each year. The 2018 Senior Notes will mature on May 15, 2018, and there are no scheduled payments of principal due before the maturity date. The 2018 Senior Notes were originally sold to qualified institutional buyers under Rule 144A of the Securities Act and Regulation S of the Securities Act outside the United States, and all 2018 Senior Notes were subsequently registered under the Securities Act pursuant to an exchange offer.

The 2018 Senior Notes are senior unsecured debt obligations of the Company and are guaranteed by all of the Company’s subsidiaries (the “Guarantors”). The Guarantors have guaranteed fully and unconditionally, on a joint and several basis, the obligations to pay principal and interest for the 2018 Senior Notes. As of June 30, 2016, Cash America International, Inc., on a stand-alone unconsolidated basis (the “Parent Company”), had no independent assets or operations. As of June 30, 2016, all of the Guarantors were 100% owned by the Company. The Indenture, dated as of May 15, 2013, that governs the 2018 Senior Notes, among the Company, the guarantors party thereto and the trustee (“2018 Senior Notes Indenture”), provides that if any of the Guarantors is released from its guarantees of the Company’s borrowings and obligations under the Credit Agreement, that Guarantor’s guaranty of the 2018 Senior Notes will also be released.

The 2018 Senior Notes are redeemable at the Company’s option, in whole or in part, at any time at 100% of the aggregate principal amount of 2018 Senior Notes redeemed plus the applicable “make whole” redemption price specified in the 2018 Senior Notes Indenture, plus accrued and unpaid interest, if any, to the redemption date. In addition, if a change of control occurs, as that term is defined in the 2018 Senior Notes Indenture, the holders of 2018 Senior Notes will have the right, subject to certain conditions, to require the Company to repurchase their 2018 Senior Notes at a purchase price equal to 101% of the aggregate principal amount plus accrued and unpaid interest, if any, as of the date of repurchase. On August 2, 2016, the Company exercised its option to redeem the 2018 Senior Notes in full. For additional information on the upcoming redemption, see Note 9.

Debt Agreement Compliance

The debt agreements for the Line of Credit and the 2018 Senior Notes require the Company to maintain certain financial ratios. As of June 30, 2016, the Company believes it was in compliance with all covenants or other requirements set forth in its debt agreements.

On June 26, 2015, the Trustee under the 2018 Senior Notes Indenture, filed a lawsuit against the Company in the United States District Court for the Southern District of New York. The lawsuit alleges that the Enova Spin-off was not permitted by the 2018 Senior Notes Indenture, and the Trustee is seeking a remedy equal to principal and accrued and unpaid interest, plus a make-whole premium, to be paid to the holders of the 2018 Senior Notes. The Company disagrees with the assertion in the lawsuit that the Enova Spin-off was not permitted under the 2018 Senior Notes Indenture. The Company also disagrees that a make-whole premium would be due to the holders of the 2018 Senior Notes even if it is determined that the Enova Spin-off was not permitted under the 2018 Senior Notes Indenture. Discovery in this lawsuit has been completed, and the parties have filed cross-motions for summary judgment that have not yet been ruled on by the court. The Company believes the position taken by the Trustee is without merit, and the Company intends to vigorously defend its position. On August 2, 2016, the Company exercised its option to redeem the 2018 Senior Notes in full. For additional information on the upcoming redemption, see Note 9.

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6. Net Income Per Share

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated by giving effect to the potential dilution that could occur if securities or other contracts to issue common shares were exercised and converted into common shares during the period.

RSUs issued under the Company’s stock-based employee compensation plans are included in diluted shares from the grant date of the award based on the treasury stock method. Performance-based RSU awards are included in diluted shares based on the level of performance that management estimates is the most probable outcome at the grant date. Throughout the requisite service period, management monitors the probability of achievement of the performance condition and adjusts the number of shares included in diluted shares accordingly.
The following table sets forth the reconciliation of numerators and denominators of basic and diluted net income per share calculations for the three and six months ended June 30, 2016 and 2015 (dollars and shares in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator:				
Net Income	$2,098	$2,071	$12,731	$9,916
Denominator:				
Total weighted average basic shares [a]	24,326	27,326	24,569	28,005
Shares applicable to stock-based compensation [b]	388	182	339	119
Total weighted average diluted shares [c]	24,714	27,508	24,908	28,124
Net Income - basic	$0.09	$0.08	$0.52	$0.35
Net Income - diluted	$0.08	$0.08	$0.51	$0.35

(a) Includes vested and deferred RSUs of 291 and 299 for the three months ended June 30, 2016 and 2015, respectively, and 292 and 302 for the six months ended June 30, 2016 and 2015, respectively.
(b) Includes the dilutive effect of shares related to unvested RSU awards.
(c) Excludes 15 and 117 anti-dilutive shares for the three months ended June 30, 2016 and 2015, respectively, and 15 and 239 for the six months ended June 30, 2016 and 2015, respectively.

7. Fair Value Measurements

Recurring Fair Value Measurements

In accordance with ASC 820, Fair Value Measurements and Disclosures (“ASC 820”), certain of the Company’s assets and liabilities, which are carried at fair value, are classified in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs, other than Level 1, or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data and reflect the Company’s own assumptions.

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

The Company's financial assets that are measured at fair value on a recurring basis as of June 30, 2016 and 2015 and December 31, 2015 are as follows (dollars in thousands):

	June 30, 2016	Fair Value Measurements Using Level 1	Level 2	Level 3
Financial assets:				
Nonqualified Savings Plan-related assets and Director Deferred Shares (a)	$11,679	$ 11,679	$ —	$ —
Investment in equity securities	47,069	47,069	—	—
Total	$58,748	$ 58,748	$ —	$ —
	June 30, 2015	Fair Value Measurements Using Level 1	Level 2	Level 3
Financial assets:				
Nonqualified Savings Plan-related assets and Director Deferred Shares (a)	$11,576	$ 11,090	$ 486	$ —
Investment in equity securities	109,140	—	109,140	—
Total	$120,716	$ 11,090		