US CONCRETE INC
Form 424B3
July 12, 2017
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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-218450

PRELIMINARY PROSPECTUS

U.S. Concrete, Inc.

Offer to Exchange

up to $200,000,000 of

outstanding 6.375% Senior Notes due 2024

for

up to $200,000,000 of

6.375% Senior Notes due 2024

that have been registered

under the Securities Act of 1933, as amended

The exchange offer will expire at 11:59 p.m., New York City Time, on August 9, 2017, unless we extend the exchange offer. We do not currently intend to extend the exchange offer. The exchange offer will be open for at least 20 business days.

We are offering to exchange up to $200,000,000 aggregate principal amount of our new 6.375% Senior Notes due 2024 (the Exchange Notes), which have been registered under the Securities Act of 1933, as amended (the Securities Act), for an equal principal amount of our outstanding 6.375% Senior Notes due 2024 (the 2017 Notes), issued in a private offering on January 9, 2017.

The 2017 Notes were issued as additional securities pursuant to the indenture, dated as of June 7, 2016 (the Base Indenture), among us, certain subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (the Trustee), as supplemented by supplemental indenture no. 1, dated as of October 12, 2016 (the First Supplemental Indenture), among us, certain subsidiary guarantors party thereto, and the Trustee, and as further supplemented by supplemental indenture no. 2, dated as of January 9, 2017 (the Second Supplemental Indenture and, together with the Base Indenture and the First Supplemental Indenture, the Indenture). On June 7, 2016, we issued $400,000,000 aggregate principal amount of our 6.375% Senior Notes due 2024 pursuant to the Base Indenture, all of which were exchanged for substantially identical notes in the same amount (the Existing 6.375% Notes) in an offering registered under the Securities Act. We refer to the Existing 6.375% Notes, the 2017 Notes and the Exchange Notes collectively as the Notes. All references to the Notes include the related guarantees. Following the closing of the exchange offer, the Exchange Notes will have the same CUSIP and ISIN numbers as the Existing 6.375% Notes and will be fungible with the Existing 6.375% Notes.

The 2017 Notes are, and the Exchange Notes will be, jointly and severally and fully and unconditionally guaranteed by our existing and future restricted subsidiaries that guarantee obligations under our $250.0 million senior secured asset-based revolving credit facility (the Revolving Facility) or that guarantee certain of our other indebtedness or certain indebtedness of our restricted subsidiaries.

We will exchange all 2017 Notes that are validly tendered and not validly withdrawn prior to the closing of the exchange offer for an equal principal amount of the Exchange Notes that have been registered.

You may withdraw tenders of the 2017 Notes at any time prior to the expiration of the exchange offer.

The terms of the Exchange Notes to be issued are identical in all material respects to the terms of the 2017 Notes, except the Exchange Notes will not contain transfer restrictions, registration rights, or provisions for additional interest.

The Exchange Notes, together with any 2017 Notes not exchanged in the exchange offer and the Existing 6.375% Notes will constitute a single class of debt securities under the Indenture.

The exchange of the 2017 Notes will not be a taxable exchange for United States federal income tax purposes.

We will not receive any proceeds from the exchange offer.

We do not intend to apply for listing of the Exchange Notes on any securities exchange or for inclusion of the Exchange Notes in any automated quotation system.

See Risk Factors beginning on page 16 for a discussion of factors that you should consider before tendering your 2017 Notes.

Each broker-dealer that receives any Exchange Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act (a prospectus) in connection with any resale of such Exchange Notes. The related letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of the Exchange Notes received in exchange for the 2017 Notes where such 2017 Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the completion of the exchange offer (or until all participating broker-dealers have sold all of their Exchange Notes and the exchange offer has been completed), we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is July 12, 2017.

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This prospectus is part of a registration statement we filed with the Securities and Exchange Commission (the SEC). In making your investment decision, you should rely only on the information contained or incorporated by reference into this prospectus and in the accompanying letter of transmittal. We have not authorized anyone to provide you with any other information. We are not making an offer to sell these securities or soliciting an offer to buy these securities in any jurisdiction where an offer or solicitation is not authorized or in which the person making that offer or solicitation is not qualified to do so or to anyone whom it is unlawful to make an offer or solicitation. You should not assume that the information contained in this prospectus, as well as the information we previously filed with the SEC that is incorporated by reference herein, is accurate as of any date other than its respective date.

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This prospectus incorporates by reference important business and financial information about us that is not included or delivered with this prospectus. Copies of this information are available without charge to any person to whom this prospectus is delivered, upon written or oral request. Written requests should be directed to U.S. Concrete, Inc., Attention: Investor Relations, 331 North Main Street, Euless, Texas 76039 or by phone by calling (817) 835-4105.

In order to ensure timely delivery of the documents, you must make your requests to us no later than August 1, 2017 (which is five business days prior to the expiration of the exchange offer, unless we extend the exchange offer). In the event that we extend the exchange offer, you must submit your request at least five business days before the expiration date of the exchange offer, as extended.

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WHERE YOU CAN FIND MORE INFORMATION

We currently file periodic reports and other information under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our SEC filings are available to the public over the Internet at the SEC s website at www.sec.gov. You may also read and copy any document we file with the SEC at the SEC s public reference room located at 100 F Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room and copy charges. Also, using our website, http://www.us-concrete.com, you can access electronic copies of documents we file with the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and any amendments to those reports. Information on our website is not incorporated by reference into this prospectus. You may also request a copy of those filings, excluding exhibits, at no cost by writing to U.S. Concrete, Inc., Attention: Investor Relations, 331 North Main Street, Euless, Texas 76039 or by phone by calling (817) 835-4100.

INFORMATION INCORPORATED BY REFERENCE

The SEC allows us to incorporate by reference into this prospectus the information we provide in other documents filed by us with the SEC. The information incorporated by reference is an important part of this prospectus. Any statement contained in a document that is incorporated by reference into this prospectus is automatically updated and superseded if information contained in this prospectus, or information that we later file with the SEC, modifies and replaces this information. We incorporate by reference the following documents that we have filed with the SEC:

- our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 28, 2017, including the portions of our Definitive Proxy Statement on Schedule 14A filed on March 28, 2017 and incorporated therein by reference;

- our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, filed with the SEC on May 4, 2017; and

- our Current Reports on Form 8-K filed on January 5, 2017, January 9, 2017, March 24, 2017, May 19, 2017, July 3, 2017 and July 6, 2017.

We are also incorporating by reference additional documents that we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date of this prospectus through the termination of the offering of the securities offered by this prospectus including any applicable documents we file after the initial date of the registration statement and prior to effectiveness. We are not, however, incorporating by reference any documents or portions thereof, that are not deemed filed with the SEC or any information furnished pursuant to Items 2.02 or 7.01 of Form 8-K or the exhibits relating to such items and furnished pursuant to Item 9.01 of Form 8-K.

You may request a copy of this prospectus or any of the incorporated documents (excluding exhibits, unless the exhibits are specifically incorporated) at no charge to you by writing to U.S. Concrete, Inc., Attention: Investor Relations, 331 North Main Street, Euless, Texas 76039 or by phone by calling (817) 835-4100.

INDUSTRY AND MARKET DATA

We obtained the industry and market data used in, or incorporated by reference into, this prospectus from various third party sources, including periodic industry publications, data compiled by the United States Census Bureau, and industry reports produced by consultants and trade associations. These third party sources generally include a statement that the information contained therein has been obtained from sources believed to be reliable. However, industry and market data is subject to change and cannot always be verified with certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. As a result, you should be aware that industry, market and other similar data set forth herein, and estimates and beliefs based on such data, might not be accurate.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements and information in this prospectus may constitute forward-looking statements. These forward-looking statements include, without limitation, statements concerning plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions and other statements, which are not statements of historical facts. In some cases, you can identify forward-looking statements by terminology such as may, will, intends, should, expect, plan, anticipate, believe, estimate, predict, potential or continue, the nega other comparable terminology. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

general economic and business conditions, which will, among other things, affect demand for new residential and commercial construction;

our ability to successfully identify, manage, and integrate acquisitions;

the cyclical nature of, and changes in, the real estate and construction markets, including pricing changes by our competitors;

governmental requirements and initiatives, including those related to mortgage lending or mortgage financing, funding for public or infrastructure construction, land usage, and environmental, health, and safety matters;

disruptions, uncertainties or volatility in the credit markets that may limit our, our suppliers and our customers access to capital;

our ability to successfully implement our operating strategy;

weather conditions;

our substantial indebtedness and the restrictions imposed on us by the terms of our indebtedness;

- our ability to maintain favorable relationships with third parties who supply us with equipment and essential supplies;

- our ability to retain key personnel and maintain satisfactory labor relations; and

- product liability, property damage, results of litigation, and other claims and insurance coverage issues.

Known material factors that could cause our actual results to differ from those in the forward-looking statements are those described in Risk Factors .

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise, except as required by federal securities laws.

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SUMMARY

This summary highlights selected information contained elsewhere in, or incorporated by reference into, this prospectus about us and the exchange offer. This summary does not contain all the information that is important to you. You should read the entire prospectus carefully, including the Risk Factors, as well as the financial statements and related notes thereto incorporated by reference into this prospectus. Unless the context otherwise requires or indicates, all references to U.S. Concrete, USCR, the Company, we, our and us refer to U.S. Concrete, Inc., a Delaware corporation, and its subsidiaries.

Our Company

We are a leading producer of ready-mixed concrete in select geographic markets in the United States. We operate our business through two primary reportable segments: ready-mixed concrete and aggregate products. Ready-mixed concrete is an important building material that is used in the vast majority of commercial, residential and public works construction projects. Aggregates are a raw material used in the production of ready-mixed concrete. We serve substantially all end markets of the construction industry in our select geographic markets. Our customers include contractors for commercial and industrial, residential, street and highway and other public works construction. Our ready-mixed concrete product revenue by type of construction activity for the twelve months ended March 31, 2017 was approximately 57% commercial and industrial, 26% residential and 17% street, highway and other public works.

We operate principally in Texas, New York/ New Jersey, and northern California with those markets representing approximately 37%, 37%, and 23%, respectively, of our consolidated revenue for the twelve months ended March 31, 2017. We believe we are well-positioned for strong growth in these attractive regions. According to estimates from the Portland Cement Association (PCA), the states in which we operate represent a total of approximately 26% of the 2016 consumption of ready-mixed concrete in the United States, which favorably positions us to capture additional market share in this fragmented industry. Our consolidated revenue from continuing operations for the twelve months ended March 31, 2017 was $1.2 billion, of which we derived approximately 91.0% from our ready-mixed concrete segment, 3.5% from our aggregate products segment (excluding $35.9 million sold internally) and 5.5% from our other operations. For the twelve months ended March 31, 2017, our net income was $25.8 million and our income from continuing operations was $26.8 million.

As of May 31, 2017, we operated 155 standard ready-mixed concrete plants, 17 volumetric ready-mixed concrete facilities, 17 producing aggregates facilities, four aggregates distribution terminals, two lime slurry facilities, and one recycled aggregates facility. During the twelve months ended March 31, 2017, these plants and facilities produced approximately 8.4 million cubic yards of ready-mixed concrete and 5.7 million tons of aggregates. We lease two other aggregates facilities to third parties and retain a royalty on production from those facilities. As of March 31, 2017, we operated over 1,500 drum mixer trucks and 125 volumetric mixer trucks.

Our Business

Our ready-mixed concrete segment engages principally in the formulation, production and delivery of ready-mixed concrete to our customers job sites. We provide our ready-mixed concrete from our operations in Texas, northern California, New York, New Jersey, the Washington, D.C. area, Oklahoma and the U.S. Virgin Islands (USVI). Ready-mixed concrete is a highly versatile construction material that results from combining coarse and fine aggregates, such as gravel, crushed stone and sand, with water, various chemical admixtures and cement. We also provide services intended to reduce our customers overall construction costs by lowering the installed, or in-place, cost of concrete. These services include the formulation of mixtures for specific design uses, on-site and lab-based product quality control and customized delivery programs to meet our customers needs. We generally do not provide paving or other finishing services, which construction contractors or subcontractors typically perform.

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Our standard ready-mixed concrete products consist of proportioned mixes we produce and deliver in an unhardened plastic state for placement and shaping into designed forms at the job site. Selecting the optimum mix for a job entails determining not only the ingredients that will produce the desired permeability, strength, appearance and other properties of the concrete after it has hardened and cured, but also the ingredients necessary to achieve a workable consistency considering the weather and other conditions at the job site.

Our aggregate products segment produces crushed stone, sand and gravel from 17 aggregates facilities located in New Jersey, Texas, Oklahoma and the USVI. We sell these aggregates for use in commercial, industrial and public works projects, as well as consume them internally in the production of ready-mixed concrete. We produced approximately 5.7 million tons of aggregates during the twelve months ended March 31, 2017, with Texas/Oklahoma representing 54%, New Jersey representing 42%, and the U.S. Virgin Islands representing 4% of the total production. We consumed 51% of our aggregates production internally and sold 49% to third-party customers during the same period. We believe our aggregates reserves provide us with additional raw materials sourcing flexibility and supply availability. In addition, we own sand pit operations in Michigan and one quarry in western Texas, both of which we lease to third parties and for which we receive royalties based on the volumes produced and sold during the terms of the leases.

Other products not associated with a reportable segment include our building materials stores, hauling operations, aggregates distribution terminals, lime slurry, ARIDUS® Rapid Drying Concrete technology, brokered product sales, recycled aggregates operation and concrete blocks.

We operate in select geographic markets and pursue attractive construction material categories where we have leading market positions. We maintain these positions by focusing on commercial projects with higher margins and by vertically integrating our operations, where practical. We also differentiate ourselves through our leadership in innovating new sustainable concrete building materials. We believe our focus on select geographic markets with favorable industry dynamics, disciplined pricing, accretive acquisitions and prudent balance sheet leverage distinguishes us from our competition and results in superior margin performance and industry-leading returns on capital.

Competitive Strengths

Top 3 positions in favorable geographic markets with attractive fundamentals. We operate in favorable construction markets where we believe we have an advantage compared to our competitors given our ability to handle complex projects across a broad array of industry sectors. We have a large, high-quality asset base focused in the Texas/Oklahoma, northern California, New York/New Jersey, Washington, D.C. and USVI markets. Our management team believes we have a leading market position in all of our geographic markets, and estimates our overall market share based on cubic yards of volume of concrete produced in our key regions during the twelve months ended March 31, 2017 is approximately 30%.

As of May 31, 2017, our high-quality asset base was comprised of 83 ready-mixed concrete plants, 17 volumetric ready-mixed concrete plants and ten aggregates facilities in Texas / Oklahoma, 22 ready-mixed concrete plants in northern California, 46 ready-mixed concrete plants, five aggregates facilities, four aggregates distribution terminals and one recycled aggregates facility in New York / New Jersey / Washington, D.C., four ready-mixed concrete plants and two aggregates facilities in the USVI; as well as operated over 1,500 drum mixer trucks and 125 volumetric mixer trucks. We believe the scale and quality of our asset base, in addition to our product differentiation, on-time deliveries, competitive all-in delivered cost, servicing and reliability differentiate us. These advantages also allow us to meet the needs of both large and small jobs for a wide range of clients in multiple end markets and to continue building market share in each of our regions through superior performance and customer service.

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In addition to operating in geographic markets in which we believe we are well-positioned compared to our competitors, we focus on higher margin commercial and industrial construction, which represented 57% of our ready-mixed concrete segment s revenue for the twelve months ended March 31, 2017. Residential construction represented 26% of ready-mixed concrete segment s revenue for the twelve months ended March 31, 2017, while street, highway and other public works construction represented 17% of our ready-mixed concrete segment s revenue for the same period. According to FMI Corp., as of March 31, 2017, spending in all of our end markets is projected to grow over the next four years: from 2016 through 2020, non-residential building construction is expected to grow at a compound annual growth rate (CAGR) of approximately 4.6%, commercial office and retail building construction is expected to grow at a CAGR of approximately 4.5%, residential construction is expected to grow at a CAGR of approximately 4.0% and highway and street construction is expected to grow at a CAGR of approximately 2.9%. Additionally, continued growth in annual new non-residential construction is projected in all of our regional markets. According to Dodge Data and Analytics, annual new non-residential construction is expected to grow at a CAGR from 2015 through 2019 of approximately 2.9% in the San Francisco Metropolitan Statistical Area (MSA), approximately 1.7% in the Dallas-Fort Worth MSA, approximately 4.6% in the New York City MSA and approximately 3.3% in the Washington, D.C. MSA. Growth in our northern Texas market is largely driven by construction demand in the transportation, financial and other professional services and manufacturing sectors; growth in our northern California market is driven largely by the technology sector; and growth in our New York / New Jersey and Washington, D.C. markets is driven by the financial services and government sectors, respectively. We believe that our better-than-average growth is driven by key industry sectors within our markets, which generally benefit from year-round construction. Furthermore, we believe that our specific geographic markets currently exhibit healthy residential trends supported by a number of factors, including population growth, decreasing unemployment, low mortgage and other interest rates, rising home prices and increasing construction activity. According to the U.S. Census Bureau Building Permits Survey from 2014 to 2015, in the aggregate, the number of building permits in our markets grew 42.4% compared to 11.3% for the national average. According to the same survey from 2015 to 2016, in the aggregate, the number of building permits in our markets declined 22.0% compared to growth of 0.8% for the national average. The decline in building permits from 2015 to 2016 in our markets mainly related to the expiration of the 421a developer tax abatement program in January 2016 in our New York market. In April 2017, state lawmakers passed a new affordable housing bill aimed to stimulate multi-family residential construction in New York City which will provide an estimated 2,500 new affordable apartments annually through 2022. The National Association of Home Builders projects national housing starts to grow at a CAGR of approximately 6% from 2016 through 2018. Additionally, residential construction is stabilizing and growing in regional markets where we have a leading position. According to Global Insight, as of May 2017, private, single-family housing starts are expected to grow at a CAGR from 2016 to 2020 of approximately 13.1% in California, 5.3% in Texas, 1.6% in New York/New Jersey and 9.9% in the Washington, D.C. area (including Virginia and Maryland).

Long-term diversified customer base across sectors and regions. We serve a diversified base of customers. Our management and sales personnel develop and maintain successful long-term relationships with our key customers. Key elements of our customer-focused approach include:

- corporate-level marketing and sales expertise;
- technical service expertise to develop innovative new branded products; and

training programs that emphasize successful marketing and sales techniques that focus on the sale of high-margin concrete mix designs.

We estimate that the average length of our top 15 customer relationships is approximately 25 years. We further estimate that approximately 86% of our top 35 customers have relationships that extend past five years, with approximately 40% surpassing 20 years of loyalty. Our customer engagement model results in contractors returning year-after-year to us as a supplier they can trust. Despite our robust and loyal customer base, in the last twelve months ended March 31, 2017, no single customer or project accounted for more than 10% of our

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consolidated revenue and the 15 largest customers accounted for approximately 19% of our consolidated revenue. Our broad, yet targeted customer base enables us to develop an efficient and stable business model. We believe that by providing high-quality, reliable services and customized products and solutions, we are able to maintain important long-term relationships.

Top supplier to commercial projects with high margins. We provide alternative solutions for designers and contractors by offering value-added concrete products, such as color-conditioned, fiber-reinforced, steel-reinforced and high-performance concrete. We believe this innovation enhances our ability to compete for and win supply contracts for some of the largest and most prestigious commercial projects.

Some of the larger commercial projects we are working on include:

Selected Precedent Commercial Projects as of May 8, 2017

Project	Location	Cubic Yards	Status
Facebook NA-4 Data Center	Fort Worth, Texas	382,000	In Progress
LaGuardia Airport	Queens, New York	375,000	In Progress
Toyota North American Headquarters	Plano, Texas	194,000	In Progress
Google Bayview Campus	Mountain View, California	125,000	Backlog
The Union Tower	Dallas, Texas	110,000	In Progress
Legacy West	Plano, Texas	100,000	In Progress
Amazon Fulfillment Center	Coppell, Texas	99,000	In Progress
5 Pointz	Long Island City, Queens, New York	90,000	In Progress
Dallas Love Field Parking Garage	Dallas, Texas	87,000	In Progress
Goethals Bridge	Staten Island, New York	80,000	In Progress
The Wharf	Washington, D.C.	77,000	In Progress
655 NY Avenue	Washington, D.C.	71,000	In Progress
Manhattan West Tower	Manhattan, New York	70,000	In Progress
Hudson Yards 55 Hudson	Manhattan, New York	70,000	In Progress
Workday Campus	Pleasanton, California	70,000	In Progress

Note: LaGuardia Airport was a joint venture with two other suppliers

These types of projects have higher margins due to rigorous specifications, increased complexity, high customization requirements and significant volume capacity needs. We believe our focus on commercial projects and value-added construction materials has resulted in a favorable margin profile and premium price position that are among the highest in the industry today.

We also make a concerted effort to focus on environmental sustainability. We are a leader in the sustainable concrete market, and we expect domestic and global sustainable demand to continue to grow at attractive rates. According to the U.S. Green Building Council s Green Building Economic Impact Study dated September 2015, commercial green construction spending is expected to grow at a CAGR of approximately 9.8% from 2015 to 2018. In 2008, we launched our environmentally friendly concrete (EF Technology) initiative which promotes green building and construction. Our EF Technology ready-mixed concrete products replace a portion of the traditional cement components with reclaimed fly ash, slag and other materials, resulting in lower carbon dioxide emissions. We believe this technological approach leads to an environmentally superior and sustainable alternative to traditional ready-mixed concrete for our customers consumption. We believe EF Technology reduces greenhouse gases and landfill space consumption and produces a highly durable product. Customers can also receive Leadership in Energy and Environmental Design (LEED) credits for the use of this technology.

We believe our use of technology creates a competitive advantage over smaller concrete producers and larger vertically integrated aggregates and cement companies that do not focus on technology as a first solution. We are

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positioned to take advantage of the growing demand for these products, which could result in an increase in our revenue and profits and expansion of our operating margins, as these higher-priced, value-added products are a lower-cost alternative to cement. We are a charter member of the Carbon Leadership Forum and the first ready-mixed concrete company in North America to adopt and receive verified Environmental Product Declarations for our concrete mixes. We are also a supporter of the National Ready Mixed Concrete Association Green-Star program, a plant-specific certification program that utilizes an environmental management system based on a model of continual improvement.

Vertical integration into aggregates enhances the value chain. Our aggregates business primary focus is supplying our ready-mixed operations. This vertical integration helps generate higher overall corporate margins, which is a key reason we have focused on the acquisition of aggregates operations. We currently operate 17 aggregates production facilities, one recycling operation and four aggregates distribution terminals. We currently have approximately 165 million tons of owned and leased reserves. We believe vertical integration enhances our competitiveness and confers a strategic advantage by providing us with a stable supply of aggregates products, improving our overall purchasing power and increasing our precision in bidding for new projects. Our focus on vertical integration has allowed us to source approximately 30% of the aggregates used in our ready-mix concrete during the twelve months ended March 31, 2017 from internal production in the markets where we have aggregates reserves (i.e., New York, New Jersey and Texas). This internal sourcing has helped enhance our value chain and associated margins.

Successful track record of accretive acquisitions with significant consolidation pipeline. We have completed 25 ready-mixed concrete and aggregates acquisitions since January 1, 2014, and believe that sourcing, executing and integrating acquisitions is one of our core competencies.

Recent Acquisitions

Company	Location	Date	Description
Corbett Aggregate Companies, LLC	Quinton, NJ	Apr. 2017	One aggregates facility - 401 acres of land with over 35 million tons of proven reserves
			Furthers vertical integration strategy supporting the New York metropolitan market
Kings Ready Mix	Brooklyn, NY	Aug. 2016	Four ready-mixed concrete plants and 62 mixer trucks
			Strengthened position in New York metropolitan area
Jenna Concrete Corp.	Bronx, NY	Aug. 2016	Two ready-mixed concrete plants and 52 mixer trucks

			Further expanded geographic coverage in Manhattan market and established footprint in the Bronx borough
NYCON Supply Corp.	Queens, NY	June 2016	Two ready-mixed concrete plants and 38 mixer trucks
			Expanded position in western Queens and midtown Manhattan area
Greco Brothers Concrete	Brooklyn, NY	Feb. 2016	Two ready-mixed concrete plants and 37 mixer trucks
			Strengthened position in New York metropolitan area

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Company	Location	Date	Description
Heavy Materials	St. Thomas / St. Croix, USVI	Oct. 2015	Three ready-mixed concrete plants, one concrete block plant and 32 mixer trucks Vertically integrated with two aggregates quarries; approximately 40 million tons of reserves and export capability
Spartan Concrete Products	St. Croix, USVI	Oct. 2015	One ready-mixed concrete plant and 16 mixer trucks Vertically integrated St. Croix with Heavy Materials aggregates supply
Wantage Stone	Wantage, NJ	Sep. 2015	Single site quarry Furthered vertical integration in our New York and New Jersey operations
E & A Materials	Wichita Falls, TX	Aug. 2015	Two sand and gravel facilities Vertically integrated operations around Wichita Falls and southern Oklahoma
DuBrook Concrete	Chantilly, VA	May 2015	Three ready-mixed concrete plants and 42 mixer trucks Expanded Washington, D.C. metro footprint into northern Virginia
Ferrara Bros.	New York, NY	Apr. 2015	Six ready-mixed concrete plants and 89 mixer trucks in NYC Expanded service coverage in Manhattan

Depending on the size of a potential acquisition opportunity, our acquisition strategy may vary. For local opportunities, we focus on expanding within our existing markets through concrete bolt-on acquisitions and vertical integration into aggregates. For regional opportunities, we focus on expanding concentrically around our existing geographic regions. For national opportunities, we focus on selected larger-scale opportunities in new geographies that have strong, stable markets with promising growth profiles, appealing market structures and defensible positions of scale. This acquisition strategy has resulted in a successful acquisition track record and a significant consolidation pipeline. We have demonstrated our ability to increase market share, vertically integrate operations, enhance margins and generate attractive returns through a focused and disciplined acquisition strategy.

Financial performance and conservative balance sheet. We have successfully improved our financial performance by refocusing our financial objectives over the last five years. Our management team has extensive experience in the industry, as does our board of directors. Our management team has focused on reducing our cost structure, while expanding our existing and acquired businesses in our core geographic regions to drive strong performance. As a result, we have grown revenue, improved profit margins and increased liquidity during the last five years. In addition to cash on hand, we benefit from significant liquidity through our Revolving Facility and cash flow from operations. We believe our conservative balance sheet and liquidity will allow us to take advantage of strategic opportunities as well as provide ample cushion against general downturns in economic activity.

Experienced management team driving sustainable business improvement. Our senior management team consists of twelve executives with an average of 26 years of industry experience and is comprised of individuals with a proven track record in the construction materials industry. Our Chief Executive Officer, William J. Sandbrook, has approximately 25 years of experience in the construction materials industry. Our management team s deep market knowledge enables us to effectively assess new opportunities to grow our business.

Since 2011, our management team has repositioned the Company with a focus on higher margin products, attractive markets and added scale through acquisitions. Following the economic downturn that occurred between 2007 and 2009, the Company actively exited low-quality geographic markets and products which included concrete block, precast and ready-mixed in Delaware, Detroit and Tennessee. The management team successfully navigated the Company following the housing crisis and transformed the profitability of the business, with growth that was achieved by contributions from ready-mixed and aggregates acquisitions, organic volume growth in our ready-mixed concrete and aggregate products segments and price and margin improvement in our ready-mixed operations.

Our margin improvement since 2011 is the result of both an increase in our ready-mixed concrete pricing and an increase in our material spread margin. We estimate our average price per cubic yard of ready-mixed concrete was approximately $23 more than the industry average in 2016. This favorable price differential represents an improvement in our pricing since 2009 when our average price was in-line with the industry average. In addition, our material spread margin increased to approximately $65/cubic yard in the twelve months ended March 31, 2017, an increase of approximately $22/cubic yard from the 2009 level of approximately $43/cubic yard. Given our superior margin profile, we believe we are better positioned to withstand declines in the economic cycle than in the past.

We believe we are well-positioned to capitalize on additional growth in our geographic locations and selected end markets. Our management is focused further on improving the business and recruiting and retaining motivated and knowledgeable professional managers to continue to develop our business and maintain our leading market position.

Company Strategy

Focus on core operations. We believe the best opportunities for future growth lie within our core ready-mixed concrete and aggregate products segments. During 2015, we divested the last of our precast businesses so as to continue our focus on ready-mixed concrete and aggregates. We will continue to invest in our business, both in physical plants and new technologies, as well as continue to evaluate strategic acquisition opportunities. We believe our focus on optimizing the performance of our ready-mixed concrete segment will continue to differentiate us from our larger, vertically integrated competitors that focus principally on their aggregates or cement segments and treat ready-mixed concrete operations as a downstream outlet for their aggregates or cement products.

Pursue growth. In addition to our general organic growth initiative, we continuously evaluate both acquisition and partnership opportunities. We are focused on both strengthening our positions in existing geographic markets as well as identifying attractive new markets. All of our acquisitions must meet our strict criteria, including fit with our strategic plan, investment return hurdles, capital requirements and attractive market attributes. From 2015 to May 2017, we completed 15 acquisitions that expanded our operations in our existing geographic markets and into the USVI market. Most notably, we acquired Ferrara Bros. Building Materials Corp. (Ferrara Bros. or Ferrara), which significantly expanded our footprint in the New York metropolitan market and allowed us to more effectively serve construction projects in Manhattan. In addition, we expanded into the USVI market with our acquisitions of Heavy Materials, LLC (Heavy or Heavy Materials) and Spartan Concrete Products, LLC (Spartan). We believe our significant experience, positive reputation and strong management team will allow us to continue our successful track record of identifying opportunities, closing and integrating acquisitions, realizing synergies and enhancing asset value and cash flow.

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Manage costs. We consistently seek opportunities to reduce costs and improve margins through our focus on existing operations and new technologies. Additionally, our regional acquisitions allow for synergies, such as selling, general and administrative reductions, economies of scale, labor cost savings and increases in purchasing power. We believe that by aggressively managing our cost structure, we can maintain and improve our favorable margin profile.

Our Competitors

The ready-mixed concrete industry is highly competitive. Our leadership position in a geographic market depends largely on the location and operating costs of our plants and prevailing prices in that market. Price is the primary competitive factor among suppliers for small or less complex jobs, such as residential construction. However, the ability to meet demanding specifications for strength or sustainability, timeliness of delivery and consistency of quality and service, in addition to price, are the principal competitive factors among suppliers for large or complex jobs. Our competitors range from small, owner-operated private companies to the operating subsidiaries of large, vertically integrated manufacturers of cement and aggregates. We continue to focus on developing new competitive advantages that will differentiate us from our competitors, such as our high-performing, low-CO2 concrete, ARIDUS® Rapid Drying Concrete technology and EF Technology ready-mixed concrete products.

Organizational Structure

Maintaining multiple brands strengthens our regional positions as we can service both new and established customers. The simplified organizational chart below illustrates that U.S. Concrete, Inc. is a borrower under the Revolving Facility and the issuer of the Notes. On the date hereof, all of the subsidiaries of the Company (other than our USVI domiciled subsidiaries) guarantee the borrowings under our Revolving Facility, the 2017 Notes, the Existing 6.375% Notes and will guarantee the Exchange Notes.

Corporate Information

We were incorporated under the laws of the State of Delaware in 1997. We conduct our operations through, and our operating assets are owned by, our subsidiaries. Our principal offices are located at 331 North Main Street, Euless, Texas, 76039, and our telephone number is (817) 835-4105. Our website is www.us-concrete.com. Information contained on our website does not constitute a part of this prospectus and you should rely on the information contained in this prospectus when making a decision as to whether or not to exchange your 2017 Notes for Exchange Notes.

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Summary of the Terms of the Exchange Offer

The summary below includes a description of the principal terms of the exchange offer. Certain of the terms and conditions described below are subject to important limitations and exceptions. Additional information regarding the terms and conditions of the exchange offer and the Exchange Notes can be found under the headings The Exchange Offer and Description of the Exchange Notes.

The 2017 Notes	On January 9, 2017, we issued $200.0 million in aggregate principal amount of 6.375% Senior Notes due 2024 to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act under an indenture among us, our subsidiary guarantors and U.S. Bank National Association, as the trustee.
The Exchange Offer	We are offering to exchange up to $200.0 million aggregate principal amount of our 6.375% Senior Notes due 2024 that have been registered under the Securities Act for up to $200.0 million aggregate principal amount of 2017 Notes. You may exchange your 2017 Notes only by following the procedures described elsewhere in this prospectus under the heading The Exchange Offer Procedures for Tendering 2017 Notes.
Registration Rights	We issued the 2017 Notes in a private offering on January 9, 2017. In connection with such offering, we and our subsidiary guarantors, entered into a registration rights agreement with the initial purchaser of the 2017 Notes (the initial purchaser), which agreement provides for, among other things, this exchange offer.
Resale of Exchange Notes	Based upon interpretive letters written by the SEC, we believe that the Exchange Notes issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that: You are acquiring the Exchange Notes in the ordinary course of your business; You are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the Exchange Notes; and

You are not our affiliate, as that term is defined for the purposes of Rule 144A under the Securities Act.

If any of the foregoing are not true and you transfer any Exchange Note without registering the Exchange Note and delivering a prospectus meeting the requirements of the Securities Act, or without an exemption from registration of your Exchange Notes from such requirements, you may incur liability under the Securities Act. We do not assume any responsibility for, and will not indemnify you for, any such liability.

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Each broker-dealer that receives Exchange Notes for its own account in exchange for 2017 Notes that were acquired by such broker-dealer as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the Exchange Notes. A broker-dealer may use this prospectus for an offer to resell, a resale or any other retransfer of the Exchange Notes. See Plan of Distribution.

Consequences of Failure to Exchange 2017 Notes

2017 Notes that are not tendered or that are tendered but not accepted will, following the completion of the exchange offer, continue to be subject to existing restrictions upon transfer. The trading market for 2017 Notes not exchanged in the exchange offer may be significantly more limited following completion of the exchange offer. Therefore, if your 2017 Notes are not tendered and accepted in the exchange offer, it may become more difficult for you to sell or transfer your 2017 Notes. Furthermore, you will no longer be able to compel us to register the 2017 Notes under the Securities Act and we will not be required to pay additional interest as described in the registration rights agreement. In addition, you will not be able to offer or sell the 2017 Notes unless they are registered under the Securities Act (and we will have no obligation to register them, except in limited circumstances), or unless you offer or sell them under an exemption from the requirements of, or a transaction not subject to, the Securities Act.

Expiration of the Exchange Offer

The exchange offer will expire at 11:59 p.m., New York City time on August 9, 2017, unless we decide to extend the expiration date.

Conditions to the Exchange Offer

The registration rights agreement does not require us to accept 2017 Notes for exchange if the exchange offer, or the making of any exchange by a holder of the 2017 Notes, would violate any applicable law or interpretation of the staff of the SEC. The exchange offer is not conditioned on a minimum aggregate principal amount of 2017 Notes being tendered. For additional information regarding the conditions to the exchange offer, see The Exchange Offer Conditions to the Exchange Offer.

Procedures for Tendering 2017 Notes

To participate in the exchange offer, you must follow the procedures established by The Depository Trust Company (DTC) for tendering notes held in book-entry form. These procedures for using DTC s Automated Tender Offer Program (ATOP) require that (1) the exchange agent receive, prior to the expiration date of the exchange offer, a computer-generated message known as an agent s message that is transmitted through ATOP, and (2) DTC confirms that:

- DTC has received instructions to exchange your 2017 Notes; and

- you agree to be bound by the terms of the letter of transmittal.

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For more information on accepting the exchange offer and tendering your 2017 Notes, see The Exchange Offer Procedures for Tendering 2017 Notes.

Withdrawal Rights	You may withdraw your tender of 2017 Notes at any time prior to the expiration of the exchange offer. To withdraw, you must submit a notice of withdrawal to the exchange agent using ATOP procedures before 11:59 p.m., New York City time, on the expiration date of the exchange offer. Please refer to the section in this prospectus entitled The Exchange Offer Withdrawal of Tenders.
Acceptance of 2017 Notes and Delivery of Exchange Notes	Subject to certain conditions, we will accept all 2017 Notes that are properly tendered in the exchange offer and not withdrawn prior to 11:59 p.m., New York City time, on the expiration date. We will deliver the Exchange Notes promptly after the expiration date. 2017 Notes will be validly tendered and not validly withdrawn if they are tendered in accordance with the terms of the exchange offer as detailed under The Exchange Offer Procedures for Tendering 2017 Notes and not withdrawn in accordance with the terms of the exchange offer as detailed under The Exchange Offer Withdrawal of Tenders.
United States Federal Income Tax Consequences	We believe that the exchange of 2017 Notes for Exchange Notes generally will not be a taxable exchange for federal income tax purposes, but you should consult your tax adviser about the tax consequences of this exchange. See Material U.S. Federal Income Tax Consequences.
Exchange Agent	U.S. Bank National Association, the trustee under the Indenture, is serving as exchange agent in connection with the exchange offer. You should direct questions and requests for assistance, as well as requests for additional copies of this prospectus or the letter of transmittal, to the exchange agent addressed as follows: U.S. Bank National Association, Corporate Trust Services, EP-MN-WS2N, 60 Livingston Avenue, St. Paul, MN 55107, Attn: Specialized Finance. Eligible institutions may make requests by facsimile at (651) 466-7372 and may confirm facsimile delivery by calling (651) 466-5129.
Fees and Expenses	We will bear all expenses related to consummating the exchange offer and complying with the registration rights agreement.
Use of Proceeds	

We will not receive any cash proceeds from the issuance of the Exchange Notes. We are making this exchange offer solely to satisfy our obligations under our registration rights agreement.

Regulatory Approvals

Other than those under federal securities laws, there are no federal or state regulatory requirements that we must comply with and there are no approvals that we must obtain in connection with the exchange offer.

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Summary Description of the Exchange Notes

The terms of the Exchange Notes are identical in all material respects to those of the 2017 Notes, except the Exchange Notes will not contain transfer restrictions, registration rights or provisions for additional interest. The Exchange Notes will evidence the same debt as the 2017 Notes, and the Indenture will govern all of the Existing 6.375% Notes, the Exchange Notes and the 2017 Notes. The summary below describes the principal terms of the Exchange Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Exchange Notes section of this prospectus contains a more detailed description of the terms and conditions of the Exchange Notes.

Issuer	U.S. Concrete, Inc.
Exchange Notes Offered	$200.0 million in aggregate principal amount of 6.375% Senior Notes due 2024 registered under the Securities Act. The Exchange Notes offered hereby will be issued as additional securities under the Indenture pursuant to which, on June 7, 2016, we issued $400,000,000 aggregate principal amount of the Existing 6.375% Notes. The Exchange Notes offered hereby will be treated as a single series with the Existing 6.375% Notes under the Indenture and will have identical terms as the Existing 6.375% Notes, other than with respect to the issue date, the issue price, the first interest payment and the provisions related to transfer restrictions and registration rights. Holders of the Exchange Notes offered hereby and the Existing 6.375% Notes will vote as one class under the Indenture.
Maturity Date	June 1, 2024.
Interest	The Exchange Notes will bear interest at a rate of 6.375% per annum, accruing from and including December 1, 2016, the last day interest was paid on the Existing 6.375% Notes. Accrued interest on the 2017 Notes was paid by the purchasers of the 2017 Notes from December 1, 2016 to the date of the issuance of the 2017 Notes. Interest on the Exchange Notes will be payable semi-annually on June 1 and December 1 of each year, commencing on December 1, 2017.
CUSIP and ISIN Numbers	Upon the consummation of the exchange offer, the Exchange Notes will have the same CUSIP and ISIN numbers as the Existing 6.375% Notes and will be fungible with the Existing 6.375% Notes.
Guarantees	The Exchange Notes will be unconditionally guaranteed on a senior unsecured basis by each of our existing and future restricted subsidiaries

that guarantees any obligations under the Revolving Facility or that guarantees certain of our other indebtedness or certain indebtedness of our restricted subsidiaries (other than foreign restricted subsidiaries that guarantee only indebtedness incurred by another foreign subsidiary). See Description of the Exchange Notes Guarantees and Certain Covenants Future Subsidiary Guarantors. As of the date of the issuance of the Exchange Notes, all of our subsidiaries (other than our USVI domiciled subsidiaries) will be guarantors of the Exchange Notes.

For the twelve months ended March 31, 2017, our non-guarantor subsidiaries, which consist exclusively of our USVI domiciled subsidiaries, generated in the aggregate $21.1 million, or 1.7%, of our consolidated revenues and $2.2 million of loss from continuing operations before income taxes. As of March 31, 2017, our non-guarantor subsidiaries accounted for $37.3 million, or 3.2%, of our consolidated assets and $10.5 million, or 1.1%, of our consolidated liabilities, in each case, excluding intercompany balances.

Ranking

The Exchange Notes and the guarantees will be our and the guarantors senior unsecured obligations, as applicable. Accordingly, they will be:

- effectively subordinated to all of our and the guarantors existing and future secured obligations, including obligations under the Revolving Facility and our capital leases and equipment promissory notes, to the extent of the value of the collateral securing such obligations;

- senior in right of payment to any of our and the guarantors future subordinated indebtedness;

- pari passu in right of payment with any of our and the guarantors existing and future senior indebtedness, including our and the guarantors obligations under the Existing 6.375% Notes, the Revolving Facility and our capital leases and equipment promissory notes; and

- structurally subordinated to all existing and future indebtedness and other liabilities, including preferred stock, of our non-guarantor subsidiaries.

As of March 31, 2017, our outstanding senior indebtedness was $658.6 million, of which $58.5 million was secured, and none of which were liabilities of non-guarantor subsidiaries.

As of March 31, 2017, our Revolving Facility provided for unused borrowing capacity of up to $208.2 million (after taking into account $14.3 million of undrawn letters of credit, $3.8 million of other availability reserves, and no outstanding borrowings under the Revolving Facility).

Optional Redemption	We may redeem all or a portion of the Exchange Notes and the Existing 6.375% Notes at any time on or after June 1, 2019 at the redemption prices listed under Description of the Exchange Notes Optional Redemption, together with any accrued and unpaid interest to the redemption date, and we may redeem all or a portion of the Exchange Notes and the Existing 6.375% Notes at any time prior to June 1, 2019 at a price equal to 100% of the aggregate principal amount thereof plus the make-whole premium described under Description of the Exchange Notes Optional Redemption,

	together with accrued and unpaid interest, if any, to the date of redemption.
	In addition, we may redeem up to 35% of the aggregate principal amount of the Exchange Notes and the Existing 6.375% Notes until June 1, 2019 with cash in an amount equal to the net cash proceeds of certain equity offerings at the redemption price of 106.375% of the principal amount of such Exchange Notes and such Existing 6.375% Notes, plus accrued and unpaid interest, if any, to the date of redemption.
Change of Control	Upon a change of control (as defined under Description of the Exchange Notes Change of Control), we must offer to repurchase the Exchange Notes and the Existing 6.375% Notes at 101% of the principal amount of the Exchange Notes and the Existing 6.375% Notes, plus accrued and unpaid interest, if any, to the date of repurchase.
Asset Sale Proceeds	If we or any of our restricted subsidiaries engage in certain asset sales, we will be required under certain circumstances to make an offer to purchase the Exchange Notes and the Existing 6.375% Notes at 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date, with cash in an amount equal to the net cash proceeds of such asset sales. See Description of the Exchange Notes Certain Covenants Limitation on Sales of Assets and Subsidiary Stock.
Certain Covenants	The Exchange Notes will be issued under the Indenture pursuant to which we issued the Existing 6.375% Notes on June 7, 2016. The Indenture contains certain covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

- incur additional debt or issue disqualified stock or preferred stock;
- pay dividends or make other distributions, repurchase or redeem our stock or subordinated indebtedness or make certain investments;
- sell assets and issue capital stock of our restricted subsidiaries;
- incur liens;

- allow to exist certain restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
- enter into transactions with affiliates;
- consolidate, merge or sell all or substantially all of our assets; and
- designate our subsidiaries as unrestricted subsidiaries.

These covenants are subject to a number of important exceptions, limitations and qualifications that are described under Description of the Exchange Notes Certain Covenants.

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Book-Entry Form	The Exchange Notes will be issued in book-entry form only and will be represented by one or more global notes in definitive, fully registered, book-entry form, deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Beneficial interests in any of the Exchange Notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated notes except in limited circumstances.
Absence of a Public Market for the Exchange Notes	We do not intend to apply for a listing of the Exchange Notes on any securities exchange or an automated dealer quotation system. Accordingly, there can be no assurance as to the development or liquidity of any market for the Exchange Notes. The initial purchaser has advised us that it currently intends to make a market in the 2017 Notes, and when issued, the Exchange Notes. However, it is not obligated to do so, and any market-making with respect to the Exchange Notes may be discontinued without notice in its sole discretion. See Risk Factors Risks Related to the Exchange Notes and the Exchange Offer An active trading market for the Notes does not exist and may not develop.
Denominations	The Exchange Notes will be issued in denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Trustee	U.S. Bank National Association
Governing Law	The Indenture is governed by, and the Exchange Notes will be governed by, the laws of the State of New York.
Risk Factors	You should carefully consider the information set forth under the heading Risk Factors in this prospectus, as well as the other information included in or incorporated by reference into this prospectus before deciding whether to invest in the Exchange Notes and participate in the exchange offer.

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RISK FACTORS

Participating in the exchange offer and any investment in the Exchange Notes involves a high degree of risk. You should carefully consider the risks described below and all of the information contained or incorporated by reference in this prospectus before deciding whether to participate in the exchange offer. The risks and uncertainties described below and in such incorporated documents are not the only risks and uncertainties that we face and the risks described below are not necessarily presented in order of importance. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially and adversely affect our business operations. If any of those risks actually occur, our business, financial position, results of operations and cash flows could suffer. In such a case, you may lose all or part of your investment. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See Cautionary Statement Concerning Forward-Looking Statements.

Risks Related to Our Business

Our business depends on activity within the construction industry and the economic strength of our principal markets.

We serve substantially all end markets of the construction industry, and our results of operations are directly affected by the level of activity in the construction industry in the geographic markets we serve. Demand for our products, particularly in the commercial and industrial and residential construction markets, could decline if companies and consumers cannot obtain credit for construction projects or if the slow pace of economic activity results in delays or cancellations of projects. During the twelve months ended March 31, 2017, commercial and industrial and residential construction accounted for 57% and 26% of our ready mixed concrete segment s revenue, respectively. In addition, federal and state budget issues may hurt the funding available for infrastructure spending, particularly street, highway and other public works projects, which accounted for 17% of our ready mixed concrete segment s revenue for the twelve months ended March 31, 2017.

We operate principally in Texas, New York / New Jersey / DC, and northern California, with those markets representing approximately 37%, 37%, and 23%, respectively, of our consolidated revenue for the twelve months ended March 31, 2017. Our earnings depend on the economic strength of these markets because of the high cost to transport our products relative to their price. Recently, the decline in the price of crude oil and natural gas has had an adverse impact on activity in the oil and natural gas industry in Texas, which has resulted in lower demand for construction services in Texas and consequently lower demand for ready-mixed concrete in Texas. If economic and construction activity diminishes in our principal markets or if lower demand persists in Texas, our results of operations and liquidity could be materially adversely affected.

There are risks related to our internal growth and operating strategy.

Our ability to generate internal growth will be affected by, among other factors, our ability to:

- attract new customers;
- differentiate ourselves in a competitive market by emphasizing new product development and value added services;

- hire and retain employees; and
- reduce operating and overhead expenses.

Our inability to achieve internal growth could materially and adversely affect our business, financial condition, results of operations, liquidity, and cash flows.

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One key component of our operating strategy is to operate our businesses on a decentralized basis, with local or regional management retaining responsibility for day-to-day operations, profitability and the internal growth of the individual business. If we do not implement and maintain proper overall business controls, this decentralized operating strategy could result in inconsistent operating and financial practices and our overall profitability could be adversely affected.

Our failure to successfully identify, manage and integrate acquisitions could reduce our earnings and slow our growth.

Since January 1, 2015, we completed 15 acquisitions. On an ongoing basis, as part of our strategy to pursue growth opportunities, we continue to evaluate strategic acquisition opportunities that have the potential to support and strengthen our business. There is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. Our ability to complete acquisitions is dependent upon, among other things, the willingness of acquisition candidates we identify to sell; our ability to obtain financing or capital, if needed, on satisfactory terms; and, in some cases, regulatory approvals. The investigation of acquisition candidates and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and others. If we fail to complete any acquisition for any reason, including events beyond our control, the costs incurred up to that point for the proposed acquisition likely would not be recoverable.

Potential acquisition targets may be in geographic regions in which we do not currently operate, which could result in unforeseen operating difficulties and difficulties in coordinating geographically dispersed operations, personnel and facilities. In addition, if we enter into new geographic markets, we may be subject to additional and unfamiliar legal and regulatory requirements. Compliance with regulatory requirements may impose substantial additional obligations on us and our management, cause us to expend additional time and resources in compliance activities and increase our exposure to penalties or fines for non-compliance with such additional legal requirements. Our recently completed acquisitions and any future acquisitions could cause us to become involved in labor, commercial or regulatory disputes or litigation related to any new enterprises and could require us to invest further in operational, financial and management information systems and to attract, retain, motivate and effectively manage local or regional management and additional employees. Upon completion of an acquisition, key members of the management of the acquired company may resign, which would require us to attract and retain new management and could make it difficult to maintain customer relationships. Our inability to effectively manage the integration of our completed and future acquisitions could prevent us from realizing expected rates of return on an acquired business and could have a material and adverse effect on our business, financial condition, results of operations, liquidity, and cash flows.

Tightening of mortgage lending or mortgage financing requirements or eliminations or the home mortgage interest deduction could adversely affect the residential construction market and reduce the demand for new home construction.

Approximately 26% of our ready mixed concrete segment s revenue for the twelve months ended March 31, 2017 was from residential construction contractors. While mortgage lending conditions have improved and lending volumes have increased since 2010, tightening of mortgage lending or mortgage financing requirements could adversely affect the ability to obtain credit for some borrowers, or reduce the demand for new home construction, which could have a material adverse effect on our business and results of operations. In addition, the possible elimination or limitation of the home mortgage interest deduction could reduce the demand for new home construction, which could have a material adverse effect on our business and results of operations. Another downturn in new home construction could also adversely affect our customers focused in residential construction, possibly resulting in slower payments, higher default rates in our accounts receivable, and an overall increase in working capital.

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Our ready mixed concrete segment s revenue attributable to street, highway and other public works projects could be negatively impacted by a decrease or delay in governmental spending.

During the twelve months ended March 31, 2017, approximately 17% of our ready-mixed concrete segment s revenue was from street, highway and other public works projects. Construction activity on streets, highways and other public works projects is directly related to the amount of government funding available for such projects, which is affected by budget constraints currently being experienced by federal, state and local governments. In addition, if the U.S. government budget process results in a prolonged shutdown or reductions in government spending, we may experience delayed orders, delayed payments, and declines in revenues, profitability, and cash flows. Reduced levels of governmental funding for public works projects or delays in that funding could adversely affect our business, financial condition, results of operations and cash flows.

Our business is seasonal and subject to adverse weather.

Since our business is primarily conducted outdoors, erratic weather patterns, seasonal changes and other weather-related conditions affect our business. Adverse weather conditions, including hurricanes and tropical storms, cold weather, snow, and heavy or sustained rainfall, reduce construction activity, restrict the demand for our products, and impede our ability to efficiently deliver concrete. Adverse weather conditions could also increase our costs and reduce our production output as a result of power loss, needed plant and equipment repairs, delays in obtaining permits, time required to remove water from flooded operations, and similar events. In addition, severe drought conditions can restrict available water supplies and restrict production. Consequently, these events could adversely affect our business, financial condition, results of operations, liquidity, and cash flows.

Our operating results may vary significantly from one reporting period to another and may be adversely affected by the cyclical nature of the markets we serve.

The relative demand for our products is a function of the highly cyclical construction industry. As a result, our revenue may be adversely affected by declines in the construction industry generally and in our regional markets. Our results also may be materially affected by:

- the level of commercial and residential construction in our regional markets, including reductions in the demand for new residential housing construction below current or historical levels;
- the availability of funds for public or infrastructure construction from local, state and federal sources;
- unexpected events that delay or adversely affect our ability to deliver concrete according to our customers requirements;
- changes in interest rates and lending standards;
- changes in the mix of our customers and business, which result in periodic variations in the margins of jobs performed during any particular quarter;

the timing and cost of acquisitions and difficulties or costs encountered when integrating acquisitions;

the budgetary spending patterns of customers;

increases in construction and design costs;

power outages and other unexpected delays;

our ability to control costs and maintain quality;

employment levels; and

regional or general economic conditions.

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As a result, our operating results in any particular quarter may not be indicative of the results that you can expect for any other quarter or for the entire year. Furthermore, negative trends in the ready-mixed concrete industry or in our geographic markets could have material adverse effects on our business, financial condition, results of operations, liquidity, and cash flows.

We may lose business to competitors who underbid us, and we may be otherwise unable to compete favorably in our highly competitive industry.

Our competitive position in a given market depends largely on the location and operating costs of our plants and prevailing prices in that market. Price is the primary competitive factor among suppliers for small or less complex jobs, principally in residential construction. However, timeliness of delivery and consistency of quality and service, as well as price, are the principal competitive factors among suppliers for large or complex jobs. Concrete manufacturers like us generally obtain customer contracts through local sales and marketing efforts directed at general contractors, developers, governmental agencies and homebuilders. As a result, we depend on local relationships. We generally do not have long-term sales contracts with our customers.

Our competitors range from small, owner-operated private companies to subsidiaries or operating units of large, vertically integrated manufacturers of cement and aggregates. Our vertically integrated competitors generally have greater manufacturing, financial and marketing resources than we have, providing them with competitive advantages. Competitors having lower operating costs than we do or having the financial resources to enable them to accept lower margins than we do will have competitive advantages over us for jobs that are particularly price-sensitive. Competitors having greater financial resources or less financial leverage than we do to invest in new mixer trucks, build plants in new areas or pay for acquisitions also will have competitive advantages over us.

We depend on third parties for concrete equipment and supplies essential to operate our business.

We rely on third parties to sell or lease property, plant and equipment to us and to provide us with supplies, including cement and other raw materials, necessary for our operations. We cannot assure you that our favorable working relationships with our suppliers will continue in the future. Also, there have historically been periods of supply shortages in the concrete industry, particularly in a strong economy.

If we are unable to purchase or lease necessary properties or equipment, our operations could be severely impacted. If we lose our supply contracts and receive insufficient supplies from third parties to meet our customers needs or if our suppliers experience price increases or disruptions to their business, such as labor disputes, supply shortages or distribution problems, our business, financial condition, results of operations, liquidity, and cash flows could be materially and adversely affected.

Residential construction and related demand for ready-mixed concrete has increased between 2012 and 2016. While cement prices increased as a result of this increased demand, cement supplies were at levels that indicated a very low risk of cement shortages in most of our markets. Should demand increase substantially beyond our current expectations, we could experience shortages of cement in future periods, which could adversely affect our operating results by decreasing sales of ready-mixed concrete and increasing our costs of raw materials.

We use large amounts of electricity and diesel fuel that are subject to potential reliability issues, supply constraints and significant price fluctuation, which could affect our financial position, operating results and liquidity.

In our production and distribution processes, we consume significant amounts of electricity and diesel fuel. The availability and pricing of these resources are subject to market forces that are beyond our control. Furthermore, we are vulnerable to any reliability issues experienced by our suppliers, which also are beyond our control. Our suppliers contract separately for the purchase of such resources and our sources of supply could be interrupted should our suppliers not be able to obtain these materials due to higher demand or other factors that interrupt their availability. Variability in the supply and prices of these resources could materially affect our financial position, results of operations and liquidity from period to period.

We are dependent on information technology to support many facets of our business.

If our information systems are breached, shutdown, destroyed or fail due to cyberattack, unauthorized access, natural disaster or equipment breakdown, by employees, malicious third parties or other unauthorized persons, our business could be interrupted, proprietary information could be lost, stolen or destroyed and our reputation could be damaged. We take measures to protect our information systems and data from such occurrences, but as cyberattacks become increasingly sophisticated, there can be no guarantee that our actions, efforts and security measures adopted will always prevent them. Our business could be negatively affected by any such occurrences.

The departure of key personnel could disrupt our business.

We depend on the efforts of our officers and, in many cases, on senior management of our businesses. Our success will depend on retaining our officers and senior-level managers. We need to ensure that key personnel are compensated fairly and competitively to reduce the risk of departure of key personnel to our competitors or other industries. To the extent we are unable to attract or retain qualified management personnel, our business, financial condition, results of operations, liquidity, and cash flows could be materially and adversely affected. We do not carry key personnel life insurance on any of our employees.

Shortages of qualified employees may harm our business.

Our ability to provide high-quality products and services on a timely basis depends on our success in employing an adequate number of skilled plant managers, technicians and drivers. Like many of our competitors, we experience shortages of qualified personnel from time to time. We may not be able to maintain an adequate skilled labor force necessary to operate efficiently and to support our growth strategy, and our labor expenses may increase as a result of a shortage in the supply of skilled personnel.

Collective bargaining agreements, work stoppages and other labor relations matters may result in increases in our operating costs, disruptions in our business and decreases in our earnings.

As of March 31, 2017, approximately 36.8% of our employees were covered by collective bargaining agreements, which expire between 2017 and 2021. Our inability to negotiate acceptable new contracts or extensions of existing contracts with these unions could cause work stoppages by the affected employees. In addition, any new contracts or extensions could result in increased operating costs attributable to both union and nonunion employees. If any such work stoppages were to occur, or if other of our employees were to become represented by a union, we could experience a significant disruption of our operations and higher ongoing labor costs, which could materially and adversely affect our business, financial condition, results of operations, liquidity, and cash flows. Also, labor relations matters affecting our suppliers of cement and aggregates could adversely impact our business from time to time.

Participation in multi-employer defined benefit plans may impact our financial condition, results of operations and cash flows.

We contribute to 15 multi-employer defined benefit plans, which are subject to the requirements of the Pension Protection Act of 2006 (the PPA). For multi-employer defined benefit plans, the PPA established new funding requirements or rehabilitation requirements, additional funding rules for plans that are in endangered or critical status, and enhanced disclosure requirements to participants regarding a plan s funding status. The

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Worker, Retiree, and Employer Recovery Act of 2008 (the WRERA) provided some funding relief to defined benefit plan sponsors affected by recent market conditions. The WRERA allowed multi-employer plan sponsors to elect to freeze their current funded status at the same funding status as the preceding plan year (for example, a calendar year plan that was not in critical or endangered status for 2008 was able to elect to retain that status for 2009), and sponsors of multi-employer plans in endangered or critical status in plan years beginning in 2008 or 2009 were allowed a three-year extension of funding improvement or rehabilitation plans (extending the timeline for these plans to achieve their goals from 10 years to 13 years, or from 15 years to 18 years for seriously endangered plans). A number of the multi-employer pension plans to which we contribute are underfunded and are currently subject to funding improvement or rehabilitation requirements. Additionally, if we were to withdraw partially or completely from any plan that is underfunded, we would be liable for a proportionate share of that plan s unfunded vested benefits. Based on the information available from plan administrators, we believe that our portion of the contingent liability in the case of a full or partial withdrawal from or termination of several of these plans or the inability of plan sponsors to meet the funding or rehabilitation requirements would be material to our financial condition, results of operations and cash flows.

Our overall profitability is sensitive to price changes and minor variations in sales volumes.

Generally, our customers are price-sensitive. Prices for our products are subject to changes in response to relatively minor fluctuations in supply and demand, general economic conditions and market conditions, all of which are beyond our control. Because of the fixed-cost nature of our business, our overall profitability is sensitive to price changes and minor variations in sales volumes.

Instability in the financial and credit sectors may impact our business and financial condition in ways that we currently cannot predict.

Adverse or worsening economic trends could have a negative impact on our suppliers and our customers and their financial condition and liquidity, which could cause them to fail to meet their obligations to us and could have a material adverse effect on our revenue, income from operations and cash flows. The uncertainty and volatility of the financial and credit sectors could have further impacts on our business and financial condition that we currently cannot predict or anticipate.

Turmoil in the global financial system could have an impact on our business and our financial condition. Accordingly, our ability to access the capital markets could be restricted or be available only on unfavorable terms. Limited access to the capital markets could adversely impact our ability to take advantage of business opportunities or react to changing economic and business conditions and could adversely impact our ability to execute our long-term growth strategy. Ultimately, we could be required to reduce our future capital expenditures substantially. Such a reduction could have a material adverse effect on our revenue, income from operations and cash flows.

If one or more of the lenders under our Revolving Facility, which provides for aggregate borrowings of up to $250.0 million, subject to the borrowing base, were to become unable or unwilling to perform their obligations under that facility, our borrowing capacity could be reduced. Our inability to borrow additional amounts under our Revolving Facility could limit our ability to fund our future operations and growth.

Governmental regulations, including environmental regulations, may result in increases in our operating costs and capital expenditures and decreases in our earnings.

A wide range of federal, state and local laws, ordinances and regulations apply to our operations, including the following matters:

land usage;

street and highway usage;

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- noise levels; and
- health, safety and environmental matters.

In many instances, we must have various certificates, permits or licenses in order to conduct our business. Our failure to maintain required certificates, permits or licenses or to comply with applicable governmental requirements could result in substantial fines or possible revocation of our authority to conduct some of our operations. Delays in obtaining approvals for the transfer or grant of certificates, permits or licenses, or failure to obtain new certificates, permits or licenses, could impede the implementation of any acquisitions.

Governmental requirements that impact our operations include those relating to air quality, solid and hazardous waste management and cleanup and water quality. These requirements are complex and subject to change. Certain laws, such as the U.S. law known as Superfund, can impose strict liability in some cases without regard to negligence or fault, including for the conduct of or conditions caused by others, or for our acts that complied with all applicable requirements when we performed them. Our compliance with amended, new or more stringent requirements, stricter interpretations of existing requirements, or the future discovery of environmental conditions may require us to make unanticipated material expenditures. In addition, we may fail to identify, or obtain indemnification for, environmental liabilities of acquired businesses. We generally do not maintain insurance to cover environmental liabilities.

Our operations are subject to various hazards that may cause personal injury or property damage and increase our operating costs.

Operating mixer trucks, particularly when loaded, exposes our drivers and others to traffic hazards. Our drivers are subject to the usual hazards associated with providing services on construction sites, while our plant personnel are subject to the hazards associated with moving and storing large quantities of heavy raw materials. Operating hazards can cause personal injury and loss of life, damage to or destruction of property, plant and equipment and environmental damage. Although we conduct training programs designed to reduce these risks, we cannot eliminate these risks. We maintain insurance coverage in amounts we believe are consistent with industry practice; however, this insurance may not be adequate to cover all losses or liabilities we may incur in our operations, and we may not be able to maintain insurance of the types or at levels we deem necessary or adequate, or at rates we consider reasonable. A partially or completely uninsured claim, if successful and of sufficient magnitude, could have a material adverse effect on us.

The insurance policies we maintain are subject to varying levels of deductibles. Losses up to the deductible amounts are accrued based on our estimates of the ultimate liability for claims incurred and an estimate of claims incurred but not reported. If we were to experience insurance claims or costs above our estimates, our business, financial condition, results of operations, liquidity, and cash flows might be materially and adversely affected.

We previously identified a material weakness in our internal control over financial reporting relating to the accuracy and presentation of income taxes. This material weakness, if not corrected, could affect the reliability of our financial statements and have other adverse consequences.

Under Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish a report by our management on internal control over financial reporting. This report must contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by our management. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company s annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

We previously identified and disclosed a material weakness in our internal control over financial reporting as of December 31, 2015 relating to the accuracy and presentation of the accounting for income taxes, including the income tax provision and related tax assets and liabilities. Despite our efforts to fully remediate the material weakness in our internal control over financial reporting as of December 31, 2015, we had not done so as of December 31, 2016. We intend to continue to take actions to fully remediate the material weakness and to further improve the effectiveness of our internal control over financial reporting. However, we can give no assurances that the measures we take will remediate the material weakness identified or that any additional material weaknesses will not arise in the future due to our failure to implement and maintain adequate internal control over financial reporting. In addition, even if we are successful in strengthening our controls and procedures, those controls and procedures may not be adequate to prevent or identify irregularities or ensure the fair presentation of our financial statements included in our periodic reports filed with the SEC.

Failure to have effective internal controls could lead to a misstatement of our financial statements. If, as a result of deficiencies in our internal controls, we cannot provide reliable financial statements, our business decision process may be adversely affected, our business and operating results could be harmed, investors could lose confidence in our reported financial information, the market price of our securities could decrease, and our ability to obtain additional financing, or additional financing on favorable terms, could be adversely affected. In addition, failure to maintain effective internal control over financial reporting could result in investigations or sanctions by regulatory authorities.

We may incur material costs and losses as a result of claims that our products do not meet regulatory requirements or contractual specifications.

Our operations involve providing products that must meet building code or other regulatory requirements and contractual specifications for durability, stress-level capacity, weight-bearing capacity and other characteristics. If we fail or are unable to provide products meeting these requirements and specifications, material claims may arise against us and our reputation could be damaged. In the past, we have had significant claims of this kind asserted against us that we have resolved. There currently are claims, and we expect that in the future there will be additional claims, of this kind asserted against us. If a significant product-related claim or claims are resolved against us in the future, that resolution may have a material adverse effect on our business, financial condition, results of operations, liquidity, and cash flows.

Some of our plants are susceptible to damage from earthquakes, for which we have a limited amount of insurance.

We maintain only a limited amount of earthquake insurance and, therefore, we are not fully insured against earthquake risk. Any significant earthquake damage to our plants could materially and adversely affect our business, financial condition, results of operations, liquidity, and cash flows.

Increasing insurance claims and expenses could lower our profitability and increase our business risk.

The nature of our business subjects us to product liability, property damage, personal injury claims and workers compensation claims from time to time. Increased premiums charged by insurance carriers may further increase our insurance expense as coverage expires or otherwise cause us to raise our self-insured retention. If the number or severity of claims within our self-insured retention increases, we could suffer losses in excess of our reserves. An unusually large liability claim or a string of claims based on a failure repeated throughout our mass production process may exceed our insurance coverage or result in direct damages if we were unable or elected not to insure against certain hazards because of high premiums or other reasons. In addition, the availability of, and our ability to collect on, insurance coverage is often subject to factors beyond our control. Further, allegations relating to workers compensation violations may result in investigations by insurance regulatory or other governmental authorities, which investigations, if any, could have a direct or indirect material adverse effect on our ability to pursue certain types of business which, in turn, could have a material adverse effect on our business, financial position, results of operations, liquidity, and cash flows.

Risks Related to the Exchange Notes and the Exchange Offer

Your failure to participate in the exchange offer may have adverse consequences.

If you do not exchange your 2017 Notes for Exchange Notes pursuant to the exchange offer, you will continue to be subject to the restrictions on transfer of your 2017 Notes, as set forth in the legend on your 2017 Notes. The restrictions on transfer of your 2017 Notes arise because we sold the 2017 Notes in private offerings. In general, the 2017 Notes may not be offered or sold, unless registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, such registration requirements.

After completion of the exchange offer, holders of 2017 Notes who do not tender their 2017 Notes in the exchange offer will no longer be entitled to any exchange or registration rights under the registration rights agreement, except in limited circumstances. The tender of 2017 Notes under the exchange offer will reduce the principal amount of the currently outstanding 2017 Notes. Due to the corresponding reduction in liquidity, this may have an adverse effect upon, and increase the volatility of, the market price of any currently outstanding 2017 Notes that you continue to hold following completion of the exchange offer.

In addition, we expect that the Exchange Notes will share a single CUSIP and ISIN number with the Existing 6.375% Notes and we expect that such Exchange Notes and the Existing 6.375% Notes will thereafter be fungible. If you do not exchange your 2017 Notes for Exchange Notes pursuant to the exchange offer, your 2017 Notes will continue to trade under separate CUSIP and ISIN numbers and will not be fungible with the Existing 6.375% Notes, which may adversely affect the liquidity of such notes and cause such notes to trade at different prices than the Exchange Notes and the Existing 6.375% Notes. See The Exchange Offer.

You must comply with the exchange offer procedures in order to receive new, freely tradable Exchange Notes.

Delivery of the Exchange Notes in exchange for the 2017 Notes tendered and accepted for exchange pursuant to the exchange offer will be made if the procedures for tendering the 2017 Notes are followed. We are not required to notify you of defects or irregularities in tenders of 2017 Notes for exchange. See The Exchange Offer.

Some holders who exchange their 2017 Notes may be deemed to have received restricted securities, and these holders will be required to comply with the registration and prospectus delivery requirements in connection with any resale transaction.

If you exchange your 2017 Notes in the exchange offer for the purpose of participating in a distribution of the Exchange Notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

The consummation of the exchange offer may not occur.

We are not obligated to complete the exchange offer under certain circumstances. See The Exchange Offer Conditions to the Exchange Offer. Even if the exchange offer is completed, it may not be completed on the schedule described in this prospectus. Accordingly, holders participating in the exchange offer may have to wait longer than expected to receive their Exchange Notes. You may be required to deliver prospectuses and comply with other requirements in connection with any resale of the Exchange Notes.

An active trading market for the Exchange Notes may not develop.

The Exchange Notes will not be listed on any securities exchange. There can be no assurance that a trading market for the Exchange Notes will be maintained. Further, there can be no assurance as to the liquidity of any market that may develop for the Exchange Notes, your ability to sell your Exchange Notes or the price at which you will be able to sell your Exchange Notes. Future trading prices of the Exchange Notes will depend on many factors, including prevailing interest rates, our financial condition and results of operations, the then-current ratings assigned to the Exchange Notes, the market for similar securities and the results of our competitors.

Any trading market that develops would be affected by many factors independent of and in addition to the foregoing, including:

- time remaining to the maturity of the Notes;
- outstanding amount of the Notes;
- the terms related to optional redemption of the Notes; and
- level, direction and volatility of market interest rates generally.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Exchange Notes. The market, if any, for the Exchange Notes may not be free from similar disruptions, and any such disruptions may adversely affect the prices at which you may sell your Exchange Notes. You may not be able to sell your Exchange Notes at a particular time, and the price that you receive when you sell may not be favorable.

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the Notes and our other indebtedness.

As of March 31, 2017, we had $600.0 million aggregate principal amount of outstanding Notes. We and certain of our subsidiaries are also parties to a Second Amended and Restated Loan and Security Agreement (the Second A/R Loan Agreement), with certain financial institutions named therein, as lenders (the Lenders), and Bank of America, N.A. as agent and sole lead arranger, that is secured by certain assets of the Company and the guarantors. The Second A/R Loan Agreement provides for aggregate borrowings of up to $250.0 million subject to a borrowing base under the Revolving Facility. As of March 31, 2017, we had no outstanding borrowings under the Revolving Facility.

The negative covenants in the Second A/R Loan Agreement and the Indenture allow us to incur additional indebtedness from other sources in certain circumstances.

As a result of our existing indebtedness and our capacity to incur additional indebtedness, we are, and anticipate continuing to be, a highly leveraged company. A significant portion of our cash flow will be required to pay interest and principal on our outstanding indebtedness, and we may be unable to generate sufficient cash flow from operations, or have future borrowings available under our Revolving Facility, to enable us to repay our indebtedness, including the Notes, or to fund other liquidity needs. This level of indebtedness could have important consequences, including the following:

it requires us to use a significant percentage of our cash flow from operations for debt service and the repayment of our indebtedness, including indebtedness we may incur in the future, and such cash flow may not be available for other purposes;

it limits our ability to borrow money or sell stock to fund our working capital, capital expenditures, acquisitions and debt service requirements;

our interest expense could increase if interest rates in general increase because a portion of our indebtedness bears interest at floating rates;

it may limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities;

- we are more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- it may make us more vulnerable to a downturn in our business or the economy;
- it may increase our cost of borrowing;
- it may restrict us from exploiting business opportunities;
- the debt service requirements of our indebtedness could make it more difficult for us to make payments on the Notes and our other indebtedness; and
- there would be a material adverse effect on our business and financial condition if we were unable to service our indebtedness or obtain additional financing, as needed.

We may not be able to generate sufficient cash flows to meet our debt service obligations and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make payments on and to refinance our indebtedness, including the Notes, and to fund planned capital expenditures will depend on our ability to generate cash from our operations in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control.

Our business may not generate sufficient cash flow from operations and future sources of capital under the Revolving Facility otherwise may not be available to us in an amount sufficient to enable us to pay our indebtedness, including the Notes, or to fund our other liquidity needs. If we complete an acquisition, our debt service requirements could increase. We may need to refinance or restructure all or a portion of our indebtedness, including the Notes, on or before maturity. We may not be able to refinance any of our indebtedness, including the Revolving Facility and the Notes, on commercially reasonable terms, or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity, reducing or delaying capital expenditures, strategic acquisitions, investments and alliances or restructuring or refinancing our indebtedness, including the Notes. We may not be able to effect such actions, if necessary, on commercially reasonable terms, or at all.

Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such cash flows and resources, we could face substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service and other obligations. The Second A/R Loan Agreement and the Indenture restrict our ability to conduct asset sales and to use the proceeds from asset sales. We may not be able to consummate these asset sales to raise capital or sell assets at prices and on terms that we believe are fair and any proceeds that we do receive may not be adequate to meet any debt service obligations then due. See Description of Other Indebtedness and Description of the Exchange Notes Certain Covenants Limitation on Sales of Assets and Subsidiary Stock. If we cannot meet our debt service obligations, the holders of our debt may accelerate our debt and, to the extent such debt is secured, foreclose on our assets. In such an event, we may not have sufficient assets to repay all of our debt.

We may still be able to incur significantly more debt, including secured debt. This could intensify already-existing risks related to our indebtedness, such as the Notes.

The terms of the Indenture and the Second A/R Loan Agreement contain restrictions on our and the guarantors ability to incur additional indebtedness. However, these restrictions are subject to a number of important qualifications and exceptions and the indebtedness incurred in compliance with these restrictions could be substantial. Accordingly, we or the guarantors could incur significant additional indebtedness in the future. As of March 31, 2017, our Revolving Facility provided for unused borrowing capacity of up to $208.2 million (after taking into account $14.3 million of undrawn letters of credit, $3.8 million of other availability reserves, and no outstanding borrowings under the Revolving Facility).

The Indenture permits us to incur certain additional debt, including additional secured debt, and allows our non-guarantor subsidiaries to incur additional debt that would be structurally senior to the Notes, and the Indenture does not prevent us from incurring other liabilities that do not constitute indebtedness as defined in the Indenture. See Description of the Exchange Notes Certain Covenants Limitation on Indebtedness. If we incur any additional indebtedness that ranks equally in right of payment with the Notes, including any additional securities under the Indenture, the holders of that debt will be entitled to share ratably with you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of our company. If we incur any additional secured debt, the holders of that debt will have recourse to the assets securing that debt prior to any distribution to unsecured creditors, including the holders of the Notes. Accordingly, additional debt, and in particular, additional secured debt may have the effect of reducing the amount of proceeds paid to you.

The Indenture also, under certain circumstances, allows us to designate some of our restricted subsidiaries as unrestricted subsidiaries. Those unrestricted subsidiaries will not be subject to many of the restrictive covenants in the Indenture and therefore will be able to incur indebtedness beyond the limitations specified in the Indenture and engage in other activities in which restricted subsidiaries may not engage. If new debt is added to our currently anticipated debt levels, the related risks that we and the guarantors now face could intensify. See Description of Other Indebtedness and Description of the Exchange Notes.

The amount of borrowings permitted under our Revolving Facility may fluctuate significantly, which may adversely affect our liquidity, results of operations and financial position.

The amount of borrowings permitted at any time under our Revolving Facility is limited to a periodic borrowing base valuation of, among other things, our eligible accounts receivable, inventory, and mixer trucks and, under certain circumstances, our machinery. As a result, our access to credit under our Revolving Facility is potentially subject to significant fluctuations depending on the value of the borrowing base eligible assets as of any measurement date, as well as certain discretionary rights of the administrative agent of our Revolving Facility in respect of the calculation of such borrowing base value. Our inability to borrow at current advance rates or at all under, or the early termination of, our Revolving Facility may adversely affect our liquidity, results of operations and financial position.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our Revolving Facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness could increase even though the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease.

Repayment of our debt, including the Notes, is dependent on cash flow generated by our subsidiaries.

We are a holding company, and substantially all of our tangible assets are owned by our subsidiaries. As such, repayment of our indebtedness, to a certain degree, is dependent on the generation of cash flow by our subsidiaries (including any subsidiaries that are not guarantors) and their ability to make such cash available to us, by dividend, loan, debt repayment or otherwise. Unless they are guarantors of the Notes, our subsidiaries do not have any obligation to pay amounts due on the Notes or to make funds available for that purpose. Our subsidiaries may not be able to, or be permitted to, make distributions or other payments to enable us to make payments in respect of the Notes. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the terms of the Indenture and the Second A/R Loan Agreement limit the ability of certain of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments, these limitations are subject to important qualifications and exceptions. See Description of the Exchange Notes Certain Covenants Limitation on Restrictions on Distributions from Restricted Subsidiaries. In the event that we do not receive distributions or other payments from our subsidiaries, we may be unable to make required payments on the Notes.

We may be unable to refinance our indebtedness.

We may need to refinance all or a portion of our indebtedness, including the Revolving Facility and the Notes, before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all or that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our debt currently has a non-investment grade rating, and any rating assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency s judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. Credit ratings are not recommendations to purchase, hold or sell the Notes. Additionally, credit ratings may not reflect the potential effect of risks relating to the structure of the Notes.

Our debt agreements may restrict our ability to operate our business and to pursue our business strategies.

The Second A/R Loan Agreement and the Indenture impose, and future financing agreements are likely to impose, operating and financial restrictions on our activities. These restrictions require us to comply with or maintain certain financial tests and limit or prohibit our ability to, among other things:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- pay dividends or make other distributions, repurchase or redeem our stock or subordinated indebtedness or make certain investments;
- prepay, redeem or repurchase certain debt;
- sell assets and issue capital stock of our restricted subsidiaries;
- incur liens;

- enter into agreements restricting our restricted subsidiaries ability to pay dividends, make loans to other U.S. Concrete entities or restrict the ability to provide liens;

- enter into transactions with affiliates;

- consolidate, merge, or sell all or substantially all of our assets; and

- with respect to the Indenture, designate our subsidiaries as unrestricted subsidiaries.

The restrictive covenants in the Second A/R Loan Agreement also require us to maintain specified financial ratios and satisfy other financial condition tests in certain circumstances. See Description of Other Indebtedness.

These restrictions on our ability to operate our business could seriously harm our business by, among other things, limiting our ability to take advantage of financing, merger and acquisition, and other corporate opportunities.

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Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants and maintain these financial tests. Failure to comply with any of the covenants in our existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of the debt under these agreements and to foreclose upon any collateral securing the debt. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations, including our obligations under the Notes. In addition, the limitations imposed by financing agreements on our ability to incur additional debt and to take other actions might significantly impair our ability to obtain other financing. We cannot assure you that we will be granted waivers or amendments to these agreements if for any reason we are unable to comply with these agreements, or that we will be able to refinance our debt on terms acceptable to us, or at all. In addition, an event of default under the Second A/R Loan Agreement would permit the lenders thereunder to terminate all commitments to extend further credit under the Revolving Facility. Furthermore, if we were unable to repay the amounts due and payable under our Revolving Facility, those lenders could proceed against the collateral granted to them to secure that indebtedness.

As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions, along with restrictions that may be contained in agreements evidencing or governing other future indebtedness, may affect our ability to grow in accordance with our growth strategy.

Our failure to comply with the covenants contained in the Second A/R Loan Agreement, the Indenture or any agreement under which we have incurred other indebtedness, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our operating results and our financial condition and, as a result, we may not be able to make payments on the Notes.

The Second A/R Loan Agreement contains certain covenants, including compliance with a fixed charge coverage ratio if our Availability (as defined in the Second A/R Loan Agreement) falls below a certain threshold. In addition, the Second A/R Loan Agreement requires us to comply with various operational and other covenants. See Description of Other Indebtedness included elsewhere in this prospectus and Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources in our most recent Annual Report on Form 10-K, which is incorporated by reference in this prospectus, for a discussion of the financial covenants contained in the Second A/R Loan Agreement. Agreements governing our other indebtedness may also contain various covenants. If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could cause all amounts outstanding with respect to the debt to be due and payable immediately. Our assets and cash flow may not be sufficient to fully repay all obligations under our outstanding debt instruments, either upon maturity or if accelerated upon an event of default. If we were required to repurchase the Notes or any of our other debt securities upon a change of control, we may not be able to refinance or restructure the payments on those debt securities. If, as or when required, we are unable to repay, refinance or restructure our indebtedness under, or amend the covenants contained in, the Second A/R Loan Agreement, the lenders thereunder could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against the assets securing their borrowings. Any such actions could force us into bankruptcy or liquidation.

The Second A/R Loan Agreement provides the lenders considerable discretion to impose reserves or availability blocks or reduce the advance rates used to calculate the value of our borrowing base eligible assets, which could materially impair the amount of borrowings that would otherwise be available to us. There can be no assurance that the lenders under the Revolving Facility will not take such actions during the term of that facility and, further, were they to do so, the resulting impact of such actions could materially and adversely impair our ability to make interest payments on the Notes.

The restrictive covenants in the Indenture are subject to a number of important qualifications, exceptions and limitations, and will be subject to amendment.

The restrictive covenants in the Indenture only apply to our restricted subsidiaries and are subject to a number of other important qualifications, exceptions and limitations. This means that the restrictions are not absolute prohibitions. We and our restricted subsidiaries may be able to engage in some of the restricted activities, such as incurring additional debt (including secured debt that ranks senior in priority to the claims of the holders of the Notes), paying dividends, making investments, selling assets and entering into mergers or other business combinations, in limited amounts, or in certain circumstances, in unlimited amounts, notwithstanding the restrictive covenants. If we designate any subsidiaries as unrestricted subsidiaries, those subsidiaries would be permitted to engage in such activities without material limitation under the Indenture. As of the date of this prospectus, all of our subsidiaries are restricted.

See Description of the Exchange Notes Certain Covenants. These actions could be detrimental to our ability to make payments of principal and interest when due and to comply with our other obligations under the Notes and could reduce the amount of our assets that would be available to satisfy your claims should we default on the Notes.

In addition, the restrictive covenants in the Indenture generally can be amended with the consent of holders of a majority of the Notes, and any such amendment would bind all holders of the Notes, including ones that did not vote in favor of the amendment. Any such amendment could delete one or more restrictive covenants or add additional qualifications, exceptions or limitations.

The restrictive covenants in the Second A/R Loan Agreement and our other debt instruments are also subject to a number of important qualifications, exceptions and limitations, and to amendment.

The restrictive covenants in our Second A/R Loan Agreement are subject to a number of other important qualifications, exceptions and limitations. Further, the restrictive covenants in the Revolving Facility can be amended or waived without the consent of the holders of the Notes, and the lenders under the Revolving Facility may have interests that are opposed to the interests of the holders of the Notes. Restrictive covenants, if any, in future debt instruments could be subject to similar qualifications, exceptions, limitations, amendments and waivers. There can be no assurance that restrictive covenants in any other debt instrument will not limit our activities.

Claims of holders of the Notes will be structurally subordinated to all obligations of our existing and future subsidiaries that are not and do not become guarantors of the Notes.

The Notes are fully and unconditionally guaranteed by each of our existing and future restricted subsidiaries that guarantees any obligations under our Revolving Facility or that guarantees certain of our other indebtedness or indebtedness of any guarantor (other than future foreign subsidiaries that guarantee only indebtedness of other foreign subsidiaries). Our subsidiaries that do not guarantee the Notes, including any future foreign restricted subsidiaries that guarantee only indebtedness incurred by another foreign subsidiary and any subsidiaries that we designate as unrestricted, will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. Claims of holders of the Notes will be structurally subordinated to all indebtedness and other obligations and liabilities of any non-guarantor subsidiary such that in the event of insolvency, liquidation, reorganization, dissolution or other winding up of any such non-guarantor subsidiary, all of that subsidiary s creditors (including trade creditors) would be entitled to payment in full out of that subsidiary s assets before we would be entitled to any payment.

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For the twelve months ended March 31, 2017, our non-guarantor subsidiaries, which consist exclusively of our USVI domiciled subsidiaries, generated in the aggregate $21.1 million, or 1.7%, of our consolidated revenues and $2.2 million of loss from continuing operations before income taxes. As of March 31, 2017, our non-guarantor subsidiaries accounted for $37.3 million, or 3.2%, of our consolidated assets and $10.5 million, or 1.1%, of our consolidated liabilities, in each case, excluding intercompany balances.

In addition, our subsidiaries that provide, or will provide, guarantees of the Notes will be automatically released from those guarantees upon the occurrence of certain events, including the following:

- the designation of that subsidiary guarantor as an unrestricted subsidiary in accordance with the terms of the Indenture;
- the release or discharge of any guarantee or indebtedness that resulted in the creation of the guarantee of the Notes by such subsidiary guarantor (other than a release or discharge as a result of the payment of such indebtedness);
- the sale or other disposition of that subsidiary guarantor or the sale or other disposition of substantially all of the assets of that subsidiary guarantor, in each case, other than to us or another subsidiary guarantor and as permitted by the Indenture;
- satisfaction and discharge of the Indenture as described in the section titled Description of the Exchange Notes Satisfaction and Discharge or our exercise of our legal defeasance option or covenant defeasance option as described in the section titled Description of the Exchange Notes Defeasance.

If any subsidiary guarantee is released, no holder of the Notes will have a claim as a creditor against that subsidiary, and the indebtedness and other liabilities, including trade payables and preferred stock, if any, whether secured or unsecured, of that subsidiary will be structurally senior to the claim of any holders of the Notes. See Description of the Exchange Notes Guarantees.

The Indenture also permits us to designate certain of our subsidiaries as unrestricted subsidiaries, which subsidiaries would not be subject to the restrictive covenants in the Indenture. This means that these entities would be able to engage in many of the activities the Indenture restricts for us and our restricted subsidiaries, such as incurring substantial additional debt (secured or unsecured), making investments, selling, encumbering or disposing of substantial assets, entering into transactions with affiliates and entering into mergers or other business combinations among other activities. These actions could be detrimental to our ability to make payments when due and to comply with our other obligations under the Notes, and could reduce the amount of our assets that would be available to satisfy your claims should we default on the Notes. In addition, the initiation of bankruptcy or insolvency proceedings or the entering of a judgment against these entities, or their default under their other credit arrangements, will not result in a cross-default or cross-acceleration of the Notes.

Your right to receive payments on the Notes is effectively junior to the right of lenders who have a security interest in our assets to the extent of the value of those assets.

Our obligations under the Notes and our guarantors obligations under their guarantees of the Notes are unsecured, but our obligations under our Revolving Facility and each guarantor s obligations under its guarantee of our indebtedness under our Revolving Facility are secured by security interests in certain of our and our guarantors assets, including inventory (including as-extracted collateral), accounts receivable, certain specified mixer trucks, general intangibles, instruments, documents, chattel paper, cash, deposit accounts, securities accounts, commodities accounts, letter of credit rights and all supporting obligations and related books and records and all proceeds and products of the foregoing, subject to permitted liens and certain exceptions. If we are declared bankrupt or insolvent, or if we are in default under our secured debt (including our indebtedness under our Revolving Facility), the amounts owed thereunder, together with any accrued interest, could become immediately due and payable. If we were unable to repay such indebtedness, the holders of our secured debt

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could foreclose on the pledged assets to the exclusion of holders of the Notes, even if an event of default exists under the Indenture governing the Notes at such time, and the assets that secure the secured debt will not be available to pay our obligations under the Notes or our guarantors obligations under their guarantees of the Notes unless and until payment in full of our secured debt has been made. In any such event, because the Notes are not secured and the guarantees of the Notes are not secured, it is possible that there would be no assets from which your claims could be satisfied or, if any assets existed, they might be insufficient to satisfy your claims in full.

Please see Description of Other Indebtedness for a more complete description of our Revolving Facility. As of March 31, 2017, we had no secured borrowings outstanding under our Revolving Facility, and we had $14.3 million of undrawn letters of credit outstanding, under our Revolving Facility.

Federal and state fraudulent transfer laws may allow a court, under specific circumstances, to void the guarantees and, if that occurs, you may not receive any payments on the Notes.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the Notes and the incurrence of the guarantees of the Notes. Under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws, the Notes or the guarantees thereof could be voided as a fraudulent transfer or conveyance, or claims in respect of the Notes or any guarantee could be subordinated to our and the guarantors other debts, if we or any of the guarantors, as applicable, (a) issued the 2017 Notes or incurred the guarantees with the intent of hindering, delaying or defrauding creditors or (b) received less than reasonably equivalent value or fair consideration for the either issuing the 2017 Notes or incurring the guarantees and, in the case of (b) only, one of the following is also true at the time thereof:

- we or any of the guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the 2017 Notes or the incurrence of the guarantees or subsequently became insolvent for other reasons;

- the issuance of the 2017 Notes or the incurrence of the guarantees left us or any of the guarantors, as applicable, with an unreasonably small amount of capital or assets to carry on the business or any transactions;

- we or any of the guarantors intended to, or believed that we or such guarantor would, incur debts beyond our or the guarantor s ability to pay as they mature; or

- we or any of the guarantors were a defendant in an action for money damages, or had a judgment for money damages docketed against us or the guarantor if, in either case, the judgment is unsatisfied after final judgment.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or a valid antecedent debt is secured or satisfied. A court would likely find that a guarantor did not receive reasonably equivalent value or fair consideration for its guarantee to the extent that the guarantor did not obtain a reasonably equivalent benefit directly or indirectly from the issuance of the 2017 Notes. The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if:

the sum of its debts, including contingent liabilities and unliquidated liabilities, was greater than the fair saleable value of all of its assets;

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

We cannot assure you as to what standard a court would apply in determining whether a guarantor would be considered to be insolvent or, regardless of the standard that a court uses, we cannot be certain as to whether the Notes or the guarantees would be subordinated to our or any of our guarantors other debt. For instance, while each guarantee of the Notes contains a provision, referred to as the savings clause, which is designed to limit the guarantor s liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer, whether this provision is effective to protect such guarantee from being voided under fraudulent transfer law is uncertain. If a court determined that we or any of the guarantors were insolvent after giving effect to the issuance of the 2017 Notes or the incurrence of a guarantee, it could void the payment obligations under the Notes or that guarantee or subordinate the Notes or that guarantee to our or the applicable guarantor s presently existing and future indebtedness or require you to return any payments received with respect to such guarantee. Further, the avoidance of the Notes could result in an event of default with respect to our and our subsidiaries other debt that could result in acceleration of that debt.

Finally, as a court of equity, the bankruptcy court may subordinate the claims in respect of the Notes to other claims against us under the principle of equitable subordination, if the court determines that: (1) the holder of Notes engaged in some type of inequitable conduct; (2) that inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holders of Notes; and (3) equitable subordination is not inconsistent with the provisions of Title 11 of the United States Code (the Bankruptcy Code).

The amount that can be collected under any future guarantees may be limited.

Any future guarantee may be limited to the maximum amount that can be guaranteed by a particular guarantor without rendering the future guarantee, as it relates to that future guarantor, voidable for constituting a fraudulent conveyance or fraudulent transfer under applicable law. In general, the maximum amount that can be guaranteed by a particular future guarantor may be significantly less than the principal amount of the Notes. See Risks Related to the Exchange Notes and the Exchange Offer Federal and state fraudulent transfer laws may allow a court, under specific circumstances, to void the guarantees or the grant and, if that occurs, you may not receive any payments on the Notes.

An event that adversely affects the value of the Notes may occur, and that event may not constitute a Change of Control.

Some significant restructuring transactions may not constitute a Change of Control (as defined and described in Description of the Exchange Notes Change of Control), in which case we would not be obligated to repurchase the Notes.

Upon the occurrence of a Change of Control, holders of the Notes will have the right to require us to repurchase their Notes. However, the definition of Change of Control is limited to only certain transactions or events. Therefore, the Change of Control provisions will not afford protection to holders of the Notes in the event of other transactions or events that do not constitute a Change of Control but that could nevertheless adversely affect the Notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings, asset sales, mergers or acquisitions initiated by us may not constitute a Change of Control requiring us to repurchase the Notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the Notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings or otherwise adversely affect the value of the Notes. See Description of the Exchange Notes Change of Control.

We may not be able to repurchase the Notes upon a change of control.

If we experience a Change of Control, we may be required to offer to repurchase all outstanding Notes at 101% of their principal amount plus accrued and unpaid interest, if any. Additionally, under the Second A/R Loan Agreement, a change in control (as defined therein) will constitute an event of default that permits the lenders to accelerate the maturity of borrowings under the Revolving Facility and terminate their commitments to lend, and make adjustments to our borrowing base. The source of funds for any such purchase of the Notes and repayment of borrowings under the Revolving Facility will be our available cash or cash generated from the operations of our subsidiaries or other sources, including borrowings, sales of assets or sales of equity or debt securities. We may not be able to repurchase the Notes upon a Change of Control because we may not have sufficient financial resources to purchase all of the Notes that are tendered following a Change of Control. In addition, the terms of the Revolving Facility or other outstanding indebtedness may prohibit us from repurchasing the Notes upon a Change of Control. Our failure to repurchase the Notes upon a Change of Control could cause a default under the Indenture and could lead to a cross default under the Second A/R Loan Agreement. Additionally, using available cash to fund the potential consequences of a Change of Control may impair our ability to obtain additional financing in the future, which could negatively impact our ability to conduct our business operations. In order to avoid the obligations to repurchase the Notes and events of default and potential breaches of the Second A/R Loan Agreement, we may have to avoid certain Change of Control transactions that would otherwise be beneficial to us. See Description of the Exchange Notes Change of Control.

Holders of the Notes may not be able to determine when a Change of Control giving rise to their right to have the Notes repurchased has occurred following a sale of substantially all of our assets.

The definition of Change of Control in the Indenture includes a phrase relating to the sale of all or substantially all of our assets. There is no precise established definition of the phrase substantially all under applicable law. Accordingly, the ability of a holder of the Notes to require us to repurchase its Notes as a result of a sale of less than all our assets to another person may be uncertain.

In the event that we are unable to exchange the 2017 Notes for notes sharing a single CUSIP and ISIN number with the Existing 6.375% Notes, the 2017 Notes will continue to trade under separate CUSIP and ISIN numbers, which may adversely affect the liquidity of the 2017 Notes and cause the 2017 Notes to trade at different prices than the Existing 6.375% Notes.

The 2017 Notes and the Existing 6.375% Notes will be treated as a single class of securities under the Indenture. The 2017 Notes have substantially the same terms as those of the Existing 6.375% Notes, except that the 2017 Notes were issued under CUSIP and ISIN numbers different from the Existing 6.375% Notes, and we expect that, following the consummation of the exchange offer, such Exchange Notes and the Existing 6.375% Notes will be fungible. However, in the event that we are unable to exchange the 2017 Notes for Exchange Notes sharing a single CUSIP and ISIN number with the Existing 6.375% Notes, the 2017 Notes will continue to trade under separate CUSIP and ISIN numbers and will not be fungible with the Existing 6.375% Notes until they are registered and exchanged for Exchange Notes, which may adversely affect the liquidity of the 2017 Notes and cause the 2017 Notes to trade at different prices than the Existing 6.375% Notes.

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USE OF PROCEEDS

This exchange offer is intended to satisfy our obligations under the registration rights agreement among us and the initial purchaser of the 2017 Notes. We will not receive any cash proceeds from the issuance of the Exchange Notes. In consideration for issuing the Exchange Notes as contemplated by this prospectus, we will receive 2017 Notes in like principal amount. The form and terms of the 2017 Notes are the same in all material respects as the form and terms of the Exchange Notes except that the Exchange Notes have been registered under the Securities Act and will not contain restrictions on transfer, registration rights, or provisions for additional interest. The 2017 Notes surrendered in exchange for the Exchange Notes will be retired and cancelled and cannot be reissued. Accordingly, issuance of the Exchange Notes will not change our outstanding indebtedness.

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THE EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

In connection with the issuance of the 2017 Notes, we, our subsidiary guarantors and the initial purchaser entered into a registration rights agreement that provides for the exchange offer. The registration statement of which this prospectus forms a part was filed in compliance with our obligations under the registration rights agreement. The registration rights agreement relating to the 2017 Notes is incorporated by reference as an exhibit to the registration statement of which this prospectus is a part. Under the registration rights agreement relating to the 2017 Notes, we agreed that we would use our commercially reasonable efforts to:

- file a registration statement on an appropriate registration form with respect to a registered offer to exchange the 2017 Notes for Exchange Notes that are guaranteed by our subsidiary guarantors with terms substantially identical in all material respects to the 2017 Notes (except that the Exchange Notes will not contain restrictions on transfer, registration rights, or provisions for additional interest); and

- cause the registration statement to be declared effective under the Securities Act.

After the SEC declares the exchange offer registration statement effective, we have agreed to offer the Exchange Notes and the related Subsidiary Guarantees in return for the 2017 Notes. The exchange offer will remain open for at least 20 business days (or longer if required by applicable law). For each 2017 Note surrendered to us under the exchange offer, the Holders of such 2017 Note will receive an Exchange Note of equal principal amount. Interest on each Exchange Note will accrue (1) from the last interest payment date on which interest was paid on the 2017 Note surrendered in exchange therefor or (2) if no interest has been paid on the 2017 Note, from December 1, 2016.

A holder of the 2017 Notes that wishes to participate in the exchange offer is required to make certain representations to us (as described below). We have agreed to use our commercially reasonable efforts to complete the exchange offer for the 2017 Notes not later than 60 days after the exchange offer registration statement becomes effective. Under existing interpretations of the SEC contained in several no-action letters to third parties, the Exchange Notes will generally be freely transferable after the exchange offer without further registration under the Securities Act, except that any broker-dealer that participates in the exchange must deliver a prospectus meeting the requirements of the Securities Act when it resells the Exchange Notes. In addition, under applicable interpretations of the staff of the SEC, our affiliates will not be permitted to exchange their 2017 Notes for registered notes in the exchange offer.

We have agreed to make available, for 180 days after the completion of the exchange offer (or until all participating broker-dealers have sold all of their Exchange Notes and the exchange offer has been completed), a prospectus meeting the requirements of the Securities Act for use by participating broker-dealers and other persons, if any, with similar prospectus delivery requirements for use in connection with any resale of Exchange Notes. 2017 Notes not tendered in the exchange offer will bear interest at 6.375% per annum and will be subject to all the terms and conditions specified in the Indenture, including transfer restrictions, but will not retain any rights under the registration rights agreement (including with respect to increases in annual interest rate described below) after the completion of the exchange offer.

If we determine that a registered exchange offer is not available or may not be completed as soon as practicable after the last date for acceptance of 2017 Notes for exchange because it would violate any applicable law or applicable interpretations of the staff of the SEC or, if the exchange offer is not for any other reason completed by December 5, 2017, or, in certain circumstances, any initial purchaser so requests in connection with any offer or sale of 2017 Notes, we and our subsidiary guarantors will use our commercially reasonable efforts to file and to have become effective a shelf registration statement relating to resales of the 2017 Notes and to keep that shelf registration statement effective until the earlier of (1) one year following the date the shelf registration statement is declared effective and (2) the date that the 2017 Notes cease to be registrable securities . We and our subsidiary guarantors will, in the event of such a shelf registration, provide to each participating holder of the 2017 Notes copies of a prospectus, notify each participating holder of the 2017 Notes when the shelf registration statement has become effective and take certain other actions to permit resales of the 2017 Notes. A holder of registrable securities that sells 2017 Notes under the shelf registration statement generally will be (1) required to make certain representations to us (as described in the registration rights agreement), (2) required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, (3) subject to certain of the civil liability provisions under the Securities Act in connection with those sales and (4) bound by the provisions of the registration rights agreement that are applicable to such a holder of registrable securities (including certain indemnification obligations). Holders of registrable securities will also be required to suspend their use of the prospectus included in the shelf registration statement under specified circumstances upon receipt of notice from us.

If a registration default (as defined in the registration rights agreement) occurs with respect to registrable securities, then additional interest shall accrue on the principal amount of the 2017 Notes that are registrable securities at a rate of 0.25% per annum for the first 90-day period beginning on the day immediately following such registration default (which rate will be increased by an additional 0.25% per annum for each subsequent 90-day period that such additional interest continues to accrue, provided that the rate at which such additional interest accrues may in no event exceed 1.00% per annum). The additional interest will cease to accrue when the registration default is cured. A registration default occurs if (1) except in the event that a registered exchange offer is not available because it would violate any applicable law or applicable interpretations of the staff of the SEC, we have not exchanged Exchange Notes for all 2017 Notes validly tendered in accordance with the terms of the exchange offer on or prior to December 5, 2017 or, if a shelf registration statement is required and is not declared effective, on or prior to the later of (a) December 5, 2017 and (b) the 90th day after delivery of a shelf registration request or (2) if applicable, a shelf registration statement covering resales of the 2017 Notes has been declared effective and such shelf registration statement ceases to be effective or the prospectus contained therein ceases to be usable for resales of registrable securities at any time during the required effectiveness period, and such failure to remain effective or be usable (a) exists for more than 45 days (whether or not consecutive) in any 12-month period, or (b) occurs on more than two occasions in any 12-month period during the required effectiveness period. A registration default is cured with respect to the 2017 Notes, and additional interest ceases to accrue on any registrable securities, when the exchange offer is completed or the shelf registration statement is declared effective, or when the shelf registration statement again becomes effective or the prospectus again becomes usable, as applicable.

The registration rights agreement defines registrable securities initially to mean the 2017 Notes. 2017 Notes will cease to be registrable securities upon the earliest to occur of (1) when a registration statement with respect to such 2017 Notes has become effective under the Securities Act and such 2017 Notes have been exchanged or disposed of pursuant to such registration statement; (2) when such 2017 Notes cease to be outstanding; or (3) except in the case of 2017 Notes that otherwise remain registrable securities and that are held by the initial purchaser and that are ineligible to be exchanged in the exchange offer, when the exchange offer is completed.

Any amounts of additional interest due will be payable in cash on the same original interest payment dates as interest on the 2017 Notes is payable.

Terms of the Exchange Offer

Subject to the terms and conditions described in this prospectus and in the letter of transmittal, we will accept for exchange any 2017 Notes properly tendered and not withdrawn prior to 11:59 p.m., New York City time, on the expiration date. We will issue Exchange Notes in a principal amount equal to the principal amount of 2017 Notes surrendered in the exchange offer. 2017 Notes may be tendered only for Exchange Notes and only in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The exchange offer is not conditioned upon any minimum aggregate principal amount of 2017 Notes being tendered for exchange.

As of the date of this prospectus, $200,000,000 in aggregate principal amount of the 2017 Notes is outstanding. This prospectus and the letter of transmittal are being sent to DTC, as the sole registered holder of 2017 Notes, and to its direct participants whom we can identify as holding 2017 Notes. There will be no fixed record date for determining registered holders of 2017 Notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Exchange Act, and the rules and regulations of the SEC. 2017 Notes not tendered for exchange in the exchange offer will remain outstanding and continue to accrue interest. These 2017 Notes will continue to be entitled to the rights and benefits such holders have under the Indenture relating to the 2017 Notes.

We will be deemed to have accepted for exchange properly tendered 2017 Notes when we have given oral or written notice of the acceptance to the exchange agent and complied with the applicable provisions of the registration rights agreement. The exchange agent will act as agent for the tendering holders for the purposes of receiving the Exchange Notes from us.

If you tender 2017 Notes in the exchange offer, you will not be required to pay brokerage commissions or fees or, subject to the letter of transmittal, transfer taxes with respect to the exchange of 2017 Notes. We will pay all charges and expenses, other than certain applicable taxes described below, in connection with the exchange offer. It is important that you read the section Fees and Expenses for more details regarding fees and expenses incurred in connection with the exchange offer.

We will return any 2017 Notes that we do not accept for exchange for any reason without expense to their tendering holder promptly after the expiration or termination of the exchange offer.

Expiration Date

The exchange offer will expire at 11:59 p.m., New York City time, on August 9, 2017, unless, in our sole discretion, we extend it.

Extensions, Delays in Acceptance, Termination or Amendment

We expressly reserve the right, at any time or various times, to extend the period of time during which the exchange offer is open. We may delay acceptance of any 2017 Notes by giving oral or written notice of such extension to their holders at any time until the exchange offer expires or terminates. During any such extensions, all 2017 Notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange.

In order to extend the exchange offer, we will notify the exchange agent orally or in writing of any extension. We will notify the registered holders of 2017 Notes of the extension no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

If any of the conditions described below under Conditions to the Exchange Offer have not been satisfied, we reserve the right, in our sole discretion, to:

delay accepting for exchange any 2017 Notes;

extend the exchange off; or

terminate the exchange offer;

by giving oral or written notice of such delay, extension or termination to the exchange agent. Subject to the terms of the registration rights agreement, we also reserve the right to amend the terms of the exchange offer in any manner.

Any such delay in acceptance, extension, termination or amendment will be followed promptly by oral or written notice thereof to the registered holders of 2017 Notes. If we amend the exchange offer in a manner that we determine to constitute a material change, we will promptly disclose such amendment by means of a prospectus supplement. The prospectus supplement will be distributed to the registered holders of the 2017 Notes. Depending upon the significance of the amendment and the manner of disclosure to the registered holders, we may extend the exchange offer. In the event of a material change in the exchange offer, including the waiver by us of a material condition, we will extend the exchange offer period, if necessary, so that at least five business days remain in the exchange offer period following notice of the material change.

Conditions to the Exchange Offer

We will not be required to accept for exchange, or exchange any Exchange Notes for, any 2017 Notes if the exchange offer, or the making of any exchange by a holder of 2017 Notes, would violate applicable law or any applicable interpretation of the staff of the SEC. Similarly, we may terminate the exchange offer as provided in this prospectus before accepting 2017 Notes for exchange in the event of such a potential violation.

In addition, we will not be obligated to accept for exchange the 2017 Notes of any holder that has not made to us the representations described under Purpose and Effect of the Exchange Offer, Procedures for Tendering 2017 Notes and Plan of Distribution and such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to allow us to use an appropriate form to register the issuance of the Exchange Notes under the Securities Act.

We expressly reserve the right to amend or terminate the exchange offer, and to reject for exchange any 2017 Notes not previously accepted for exchange, upon the occurrence of any of the conditions to the exchange offer specified above. We will give prompt oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the 2017 Notes as promptly as practicable.

These conditions are for our sole benefit, and we may assert them or waive them in whole or in part at any time or at various times in our sole discretion prior to the expiration of the exchange offer. If we fail at any time to exercise any of these rights, this failure will not mean that we have waived our rights. Each such right will be deemed an ongoing right that we may assert at any time or at various times prior to the expiration of the exchange offer.

In addition, we will not accept for exchange any 2017 Notes tendered, and will not issue Exchange Notes in exchange for any such 2017 Notes, if at such time any stop order has been threatened or is in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the Indenture relating to the Notes under the Trust Indenture Act of 1939, as amended (the Trust Indenture Act).

Procedures for Tendering 2017 Notes

In order to participate in the exchange offer, you must properly tender your 2017 Notes to the exchange agent as described below. We will only issue Exchange Notes in exchange for 2017 Notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the 2017 Notes, and you should follow carefully the instructions on how to tender your 2017 Notes. It is your responsibility to properly tender your 2017 Notes. We have the right to waive any defects. However, we are not required to waive defects and are not required to notify you of defects in your tender.

If you have any questions or need help in exchanging your 2017 Notes, please contact the exchange agent whose address and telephone number are set forth below under Exchange Agent .

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All of the 2017 Notes were issued in book-entry form, and all of the 2017 Notes are currently represented by global certificates registered in the name of the nominee of DTC. We have confirmed with DTC that the 2017 Notes may be tendered using the ATOP procedures. The exchange agent will establish an account with DTC for purposes of the exchange offer promptly after the commencement of the exchange offer, and DTC participants may electronically transmit their acceptance of the exchange offer by causing DTC to transfer their 2017 Notes to the exchange agent using the ATOP procedures. In connection with the transfer, DTC will send an agent s message to the exchange agent. The agent s message will state that DTC has received instructions from the participant to tender 2017 Notes and that the participant agrees to be bound by the terms of the letter of transmittal.

By using the ATOP procedures to exchange 2017 Notes, you will not be required to deliver a letter of transmittal to the exchange agent. However, you will be bound by its terms just as if you had signed it.

There is no procedure for guaranteed late delivery of the 2017 Notes.

Determinations under the Exchange Offer

We will determine, in our sole discretion, all questions as to the validity, form, eligibility, time of receipt, acceptance of tendered 2017 Notes and withdrawal of tendered 2017 Notes. Our determination will be final and binding. We reserve the absolute right to reject any 2017 Notes not properly tendered or any 2017 Notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defect, irregularities or conditions of tender as to particular 2017 Notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, all defects or irregularities in connection with tenders of 2017 Notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of 2017 Notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of 2017 Notes will not be deemed made until such defects or irregularities have been cured or waived. Any 2017 Notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the tendering holder, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date of the exchange offer.

When We Will Issue Exchange Notes

In all cases, we will issue Exchange Notes for 2017 Notes that we have accepted for exchange under the exchange offer only after the exchange agent timely receives:

- a book-entry confirmation of such 2017 Notes into the exchange agent s account at DTC; and
- a properly transmitted agent s message.

Return of 2017 Notes Not Accepted or Exchanged

If we do not accept any tendered 2017 Notes for exchange or if 2017 Notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged 2017 Notes will be returned without expense to their tendering holder. Such non-exchanged 2017 Notes will be credited to an account maintained with DTC. These actions will occur as soon as practicable after the expiration or termination of the exchange offer.

Your Representations to Us

By agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

any Exchange Notes that you receive will be acquired in the ordinary course of your business;

you are not engaged in, and do not intend to engage in, the distribution of the Exchange Notes;

you have no arrangement or understanding with any person or entity to participate in the distribution of the Exchange Notes;

you are not an affiliate of ours, as defined in Rule 405 of the Securities Act, or, if you are an affiliate, you will comply with any applicable registration and prospectus delivery requirements of the Securities Act; and

if you are a broker-dealer that will receive Exchange Notes for your own account in exchange for 2017 Notes, you acquired those notes as a result of market-making activities or other trading activities and you will deliver a prospectus (or, to the extent permitted by law, make available a prospectus) in connection with any resale of such Exchange Notes.

Withdrawal of Tenders

Except as otherwise provided in this prospectus, you may withdraw your tender at any time prior to 11:59 p.m., New York City time, on the expiration date. For a withdrawal to be effective, you must comply with the appropriate procedures of DTC s ATOP system. Any notice of withdrawal must specify the name and number of the account at DTC to be credited with withdrawn 2017 Notes and otherwise comply with the procedures of DTC.

We will determine all questions as to the validity, form, eligibility and time of receipt of notice of withdrawal. Our determination shall be final and binding on all parties. We will deem any 2017 Notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer.

Any 2017 Notes that have been tendered for exchange but are not exchanged for any reason will be credited to an account maintained with DTC for the 2017 Notes. This crediting will take place as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. You may retender properly withdrawn 2017 Notes by following the procedures described under Procedures for Tendering 2017 Notes above at any time prior to 11:59 p.m., New York City time, on the expiration date of the exchange offer.

Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made through the applicable procedures of DTC; however, we may make additional solicitation by facsimile, telephone, electronic mail or in person by our officers and regular employees and those of our affiliates.

We have not retained any dealer manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

We will pay the cash expenses to be incurred in connection with the exchange offer. They include:

all registration and filing fees and expenses;

- all fees and expenses of compliance with federal securities and state blue sky or securities laws;
- accounting and legal fees, disbursements and printing, messenger and delivery services, and telephone costs; and
- related fees and expenses.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of 2017 Notes under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if a transfer tax is imposed for any reason other than the exchange of 2017 Notes under the exchange offer.

Consequences of Failure to Exchange

If you do not exchange your 2017 Notes for the Exchange Notes in the exchange offer, you will remain subject to restrictions on transfer of the 2017 Notes:

- as set forth in the legend printed on the 2017 Notes as a consequence of the issuance of the 2017 Notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws; and
- as otherwise set forth in the offering memorandum distributed in connection with the private offering of the 2017 Notes.

In general, you may not offer or sell the 2017 Notes unless they are registered under the Securities Act or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement relating to the 2017 Notes, we do not intend to register resales of the 2017 Notes under the Securities Act. Based on interpretations of the SEC, you may offer for resale, resell or otherwise transfer the Exchange Notes issued in the exchange offer without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

- you are not an affiliate within the meaning of Rule 405 under the Securities Act;
- you acquired the Exchange Notes in the ordinary course of your business; and
- you have no arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired in the exchange offer.

If you tender 2017 Notes in the exchange offer for the purpose of participating in a distribution of the Exchange Notes:

- you cannot rely on the applicable interpretations of the SEC; and
- you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K under the Securities Act.

Accounting Treatment

We will record the Exchange Notes in our accounting records at the same carrying value as the 2017 Notes. This carrying value is the aggregate principal amount of the 2017 Notes less any note discount or plus any note premium, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer.

Exchange Agent

We have appointed U.S. Bank National Association as exchange agent for the exchange offer. You should direct questions and requests for assistance, as well as requests for additional copies of this prospectus or the letter of transmittal, to the exchange agent addressed as follows: U.S. Bank National Association, Corporate Trust Services, EP-MN-WS2N, 60 Livingston Avenue, St. Paul, MN 55107, Attn: Specialized Finance. Eligible institutions may make requests by facsimile at (651) 466-7372 and may confirm facsimile delivery by calling (651) 466-5129.

Other

Participation in the exchange offer is voluntary, and you should carefully consider whether to exchange the 2017 Notes for the Exchange Notes. We urge you to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered 2017 Notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise, on terms that may differ from the terms of this exchange offer. We have no present plans to acquire any 2017 Notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered 2017 Notes.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table contains our ratio of earnings to fixed charges for the periods indicated. You should read these ratios in connection with our consolidated financial statements and the related notes incorporated by reference into this prospectus. Because we did not have preferred stock outstanding during any such periods, our ratio of earnings to combined fixed charges and preferred dividends for any given period is equivalent to our ratio of earnings to fixed charges.

	Year ended December 31,					Three Months ended March 31,
($ in millions)	**2016**	**2015**	**2014**	**2013**	**2012**	**2017**
Ratio of earnings to fixed charges	1.9		2.0			2.1
Deficiency of earnings to fixed charges		$ (4.3)		$ (17.1)	$ (28.2)	

For purposes of computing the ratio of earnings to fixed charges, earnings consist of our pretax income (loss) from continuing operations and fixed charges. Fixed charges consist of interest expensed and capitalized, the interest component of rental expense (for these purposes, one-third of rent expense was deemed to be representative of interest), and amortization of discount and capitalized expenses related to indebtedness. The ratio of earnings to fixed charges presented in this prospectus may not be comparable to similarly titled measures presented by other companies, and may not be comparable to corresponding measures used in our various agreements, including the Second A/R Loan Agreement and the Indenture.

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SELECTED FINANCIAL DATA

The following table presents our summary financial data as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 and as of and for the three months ended March 31, 2017 and 2016. The summary financial data as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 has been derived from our audited consolidated financial statements and related notes, which are incorporated by reference in this prospectus. The summary financial and other data as of December 31, 2014 and as of and for the years ended December 31, 2013 and December 31, 2012 has been derived from our audited consolidated financial statements and related notes, which are not incorporated by reference in this prospectus. The summary and other data as of and for the three months ended March 31, 2017 and 2016 has been derived from our unaudited consolidated financial statements, which are incorporated by reference in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data. The results for any interim period are not necessarily indicative of the results that may be expected for a full year.

($ in millions, except per share amounts)	Year ended December 31,					Three months ended March 31,	
	2016	2015	2014	2013	2012	2017	2016
STATEMENT OF OPERATIONS DATA							
Revenue	$ 1,168.2	$ 974.7	$ 703.7	$ 598.2	$ 517.2	$ 299.1	$ 245.0
Income (loss) from continuing operations	$ 9.6	$ (5.1)	$ 21.6	$ (18.3)	$ (24.4)	$ 7.0	$ (9.8)
Loss from discontinued operations, net of taxes	$ (0.7)	$ (0.3)	$ (1.0)	$ (1.8)	$ (1.4)	$ (0.1)	$ (0.2)
Net income (loss)	$ 8.9	$ (5.4)	$ 20.6	$ (20.1)	$ (25.7)	$ 6.9	$ (10.0)
PER SHARE INFORMATION							
Basic income (loss) per share:							
Income (loss) from continuing operations	$ 0.63	$ (0.36)	$ 1.59	$ (1.42)	$ (2.00)	$ 0.45	$ (0.67)
Loss from discontinued operations, net of taxes	(0.04)	(0.02)	(0.07)	(0.14)	(0.11)	(0.01)	(0.01)
Net income (loss) per share basic	$ 0.59	$ (0.38)	$ 1.52	$ (1.56)	$ (2.11)	$ 0.44	$ (0.68)
Diluted income (loss) per share:							
Income (loss) from continuing operations	$ 0.59	$ (0.36)	$ 1.55	$ (1.42)	$ (2.00)	$ 0.43	$ (0.67)
Loss from discontinued operations, net of taxes	(0.04)	(0.02)	(0.07)	(0.14)	(0.11)	(0.01)	(0.01)
Net income (loss) per share diluted	$ 0.55	$ (0.38)	$ 1.48	$ (1.56)	$ (2.11)	$ 0.42	$ (0.68)
BALANCE SHEET DATA							

Total assets	$ 945.4	$ 681.7	$ 453.7	$ 406.2	$ 275.1	$ 1,154.1	$ 702.7
Total debt	$ 449.3	$ 275.6	$ 213.7	$ 206.5	$ 58.9	$ 658.6	$ 296.5

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DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of certain of our indebtedness that will be outstanding following the consummation of this exchange offer.

Senior Secured Credit Facility

On November 18, 2015, we entered into the Second A/R Loan Agreement which amended and restated our prior credit facility. Among other things, the Second A/R Loan Agreement increased the revolving commitments of the Revolving Facility to $250.0 million and extended the maturity date to November 18, 2020. The Second A/R Loan Agreement also included an accordion feature that allows for increases in the total revolving commitments by as much as $100.0 million. Additionally, the applicable margin for each of the LIBOR loans and base rate loans was lowered so that, depending on the average availability under the Second A/R Loan Agreement, the applicable margin ranges from 1.25% to 1.75% for LIBOR loans and 0.00% to 0.50% for base rate loans. As of March 31, 2017, we had no outstanding borrowings on the Second A/R Loan Agreement and we had $14.3 million of undrawn standby letters of credit under the Revolving Facility.

Our actual maximum credit availability under the Revolving Facility varies from time to time and is determined by calculating the value of our eligible accounts receivable, inventory, mixer trucks and, after the occurrence of certain events, machinery, which serve as first-priority collateral for the Revolving Facility, minus reserves imposed by the Lenders and other adjustments, all as specified in the Second A/R Loan Agreement and discussed further below. As of March 31, 2017, our available borrowing capacity under the Revolving Facility was $208.2 million (after taking into account $14.3 million of undrawn letters of credit, $3.8 million of other availability reserves, and no outstanding borrowings under the Revolving Facility). The Second A/R Loan Agreement also contains a provision for over-advances and protective advances by Lenders, in each case, of up to $25.0 million in excess of borrowing base levels. The Second A/R Loan Agreement provides for swingline loans, up to a $15.0 million sublimit, and letters of credit, up to a $30.0 million sublimit.

Loans under the Revolving Facility are in the form of either base rate loans or LIBOR loans denominated in U.S. dollars. The interest rate for base rate loans denominated in U.S. dollars fluctuates and is equal to the greatest of (a) Bank of America s prime rate; (b) the Federal funds rate, plus 0.50%; and (c) the rate per annum for a 30 days interest period equal to the British Bankers Association LIBOR Rate, as published by Reuters at approximately 11:00 a.m. (London time) two business days prior (LIBOR), plus 1.0%; in each case plus the Applicable Margin, as defined in the Second A/R Loan Agreement. The interest rate for LIBOR loans denominated in U.S. dollars is equal to the rate per annum for the applicable interest period equal to LIBOR, plus the Applicable Margin, as defined in the Second A/R Loan Agreement. Issued and outstanding letters of credit are subject to a fee equal to the Applicable Margin, as defined in the Second A/R Loan Agreement, in effect for LIBOR loans, a fronting fee equal to 0.125% per annum on the stated amount of such letter of credit, and customary charges associated with the issuance and administration of letters of credit. Among other fees, we pay a commitment fee of either 0.25% or 0.375% per annum (due monthly) on the aggregate unused revolving commitments under the Revolving Facility. The fee we pay is determined by whether the amount of the unused line is above or below 50% of the aggregate Revolver Commitments, as defined in the Second A/R Loan Agreement. The Applicable Margin ranges from 0.00% to 0.50% for base rate loans and from 1.25% to 1.75% for LIBOR loans, and is determined based on Average Availability for the most recent fiscal quarter, as defined in the Second A/R Loan Agreement.

Up to $30.0 million of the Revolving Facility is available for the issuance of letters of credit, and any such issuance of letters of credit will reduce the amount available for loans under the Revolving Facility. Loans under the Revolving Facility are limited by a borrowing base which is equal to the lesser of (a) the aggregate amount of Revolver

Commitments minus each of the LC Reserve, the Senior Notes Availability Reserve, and the Tax Amount, all as defined in the Second A/R Loan Agreement and (b) the sum of (i) 90% of the face amount of eligible accounts receivable (reduced to 85% under certain circumstances), (ii) the lesser of (x) 70% of the value of eligible inventory or (y) 90% of the product of (A) the net orderly liquidation value of inventory divided by the value of the inventory and (B) multiplied by the value of eligible inventory, (iii) (w) 85% of the net orderly liquidation value (as determined by the most recent appraisal) of eligible trucks plus (x) 80% of the cost of eligible trucks that have been acquired since the date of the latest appraisal of eligible trucks minus (y) 85% of the net orderly liquidation value of eligible trucks that have been sold since the date of the latest appraisal minus (z) 85% of the depreciation amount applicable to eligible trucks, and (iv) (x) 85% of the net orderly liquidation value (as determined by the most recent appraisal) of eligible machinery minus (y) 85% of the net orderly liquidation value of eligible machinery that have been sold since the date of the latest appraisal minus (z) 85% of the depreciation amount applicable to eligible machinery, (v) minus the Availability Reserve and minus (vi) the Tax Amount, each as defined in the Second A/R Loan Agreement; provided that, notwithstanding anything herein to the contrary, in determining the borrowing base pursuant to this clause (b), the borrowing base attributable to the eligible trucks and eligible machinery set forth in clauses (b)(iii) and (iv) above shall not exceed 30.0% of the borrowing base as of such date of determination. The Agent may, in its permitted discretion, reduce the advance rates set forth above, adjust reserves or reduce one or more of the other elements used in computing the borrowing base.

The Second A/R Loan Agreement contains usual and customary negative covenants including, but not limited to, restrictions on our ability to consolidate or merge; substantially change the nature of our business; sell, lease or otherwise transfer any of our assets; create or incur indebtedness; create liens; pay dividends or make other distributions; make loans; prepay certain indebtedness; and make investments or acquisitions. The negative covenants are subject to certain exceptions as specified in the Second A/R Loan Agreement. The Second A/R Loan Agreement also requires that we, upon the occurrence of certain events, maintain a fixed charge coverage ratio of at least 1.0 to 1.0 for each period of 12 calendar months, as determined in accordance with the Second A/R Loan Agreement. For the trailing 12-month period ended March 31, 2017, our fixed charge coverage ratio was 2.97 to 1.0. As of March 31, 2017, we were in compliance with all covenants under the Second A/R Loan Agreement.

The Second A/R Loan Agreement also includes customary events of default, including, among other things, payment default, covenant default, breach of representation or warranty, bankruptcy, cross-default, material ERISA events, change of control, material money judgments and failure to maintain subsidiary guarantees.

Each of our subsidiaries that will guarantee the notes is a co-borrower or a guarantor under the Second A/R Loan Agreement. The Second A/R Loan Agreement is secured by a first-priority lien on substantially all of the personal property of the Company and our guarantors, including inventory (including as-extracted collateral), accounts receivable, certain specified mixer trucks, general intangibles, instruments, documents, chattel paper, cash, deposit accounts, securities accounts, commodities accounts, letter of credit rights and all supporting obligations and related books and records and all proceeds and products of the foregoing, subject to permitted liens and certain exceptions.

Capital Leases and Equipment Promissory Notes

We have promissory notes, including those assumed from acquired businesses, with various lenders for the purchase of mixer trucks and other machinery and equipment in an aggregate principal amount of $33.9 million, with fixed annual interest rates ranging from 2.50% to 4.86%, payable monthly for terms ranging from less than one to five years. We have lease agreements with various other lenders for the purchase of mixer trucks and other machinery and equipment for a total principal amount of $53.7 million, with fixed annual interest rates ranging from less than 0.01% to 5.24%, payable monthly for terms ranging from two to five years. The lease terms include one dollar buyout options at the end of the lease terms. Accordingly, these financings have been classified as capital leases.

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DESCRIPTION OF THE EXCHANGE NOTES

Description of the notes

U.S. Concrete, Inc. previously issued $400 million aggregate principal amount of its 6.375% senior notes due 2024 (the Initial Notes) and $200 million aggregate principal amount of the Company s 6.375% senior notes due 2024 (the New Notes, and together with the Initial Notes, the Exchange Notes and any Additional Notes (as defined below), the Notes). Upon issuance of the New Notes, there was an outstanding aggregate principal amount of $600,000,000 of 6.375% Senior Notes due 2024. The New Notes are part of the same issue as the Initial Notes, and the Initial Notes and New Notes are treated as one class under the Indenture (as defined below), including for purposes of voting, redemptions and offers to purchase. The New Notes have terms identical to those of the Initial Notes, other than with respect to the date of issuance, the issue price, the first interest payment and the provisions related to transfer restrictions and registrations rights. The Initial Notes and the New Notes were issued, and the Exchange Notes will be issued, under an Indenture (the Indenture) among the Company, the Subsidiary Guarantors (as defined below) and U.S. Bank National Association, as Trustee (the Trustee). The terms of the Exchange Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act.

The terms of the Exchange Notes to be issued are identical in all material respects to the terms of the New Notes, except that the Exchange Notes will not contain transfer restrictions, registration rights or provisions for additional interest. The Exchange Notes will not represent new indebtedness of the Company. Upon the consummation of the exchange offer, the Exchange Notes will have the same CUSIP and ISIN numbers as the Initial Notes and will be fungible with the Initial Notes.

Certain terms used in this description are defined under the subheading Certain Definitions. In this description, the words Company, we and our refer only to U.S. Concrete, Inc., a Delaware corporation, and not to any of its subsidiaries.

The following description is only a summary of the material provisions of the Indenture . We urge you to read the Indenture because it, not this description, define your rights as Holders of these Notes. You may request copies of these agreements at our address set forth under the heading Where You Can Find More Information.

Brief description of the notes

The Notes are and will be:

- senior unsecured obligations of the Company;
- effectively subordinated to all existing and future secured Indebtedness (including the Credit Agreement) of the Company to the extent of the value of the collateral owned by the Company securing such Indebtedness;
- senior in right of payment to any future Subordinated Obligations of the Company;

pari passu in right of payment with any existing and future Senior Indebtedness (including the Credit Agreement) of the Company;

guaranteed by each Subsidiary Guarantor; and

structurally subordinated to all existing and future Indebtedness and other claims and liabilities, including preferred stock, of the Subsidiaries of the Company that are not Subsidiary Guarantors.

The Notes and the Indenture are, jointly and severally, unconditionally guaranteed on a senior unsecured basis by all of the Subsidiary Guarantors. See Guarantees.

Each Subsidiary Guarantee (as defined below) of a Subsidiary Guarantor is:

a senior unsecured obligation of such Subsidiary Guarantor;

effectively subordinated to all existing and future secured Indebtedness of such Subsidiary Guarantor, to the extent of the value of the collateral owned by such Subsidiary Guarantor securing such Indebtedness;

senior in right of payment to all future Subordinated Obligations of such Subsidiary Guarantor;

pari passu in right of payment with any existing and future Senior Indebtedness of such Subsidiary Guarantor (including the Credit Agreement and guarantees thereof, as applicable) of such Subsidiary Guarantor; and

structurally subordinated to any existing and future Indebtedness and other liabilities, including Preferred Stock, of each Subsidiary of such Subsidiary Guarantor that is not a Subsidiary Guarantor.

Principal, Maturity and Interest

Upon completion of this exchange offer, the Company will issue up to $200.0 million aggregate principal amount of the Exchange Notes. The Company will issue the Exchange Notes in minimum denominations of $2,000 and any greater integral multiple of $1,000.

The Notes will mature on June 1, 2024. Subject to our compliance with the covenant described under the subheading Certain Covenants Limitation on Indebtedness , we are permitted to issue more Notes from time to time (the Additional Notes) if such Additional Notes are fungible with the Notes for Federal income tax purposes. The Initial Notes, the New Notes, the Exchange Notes and the Additional Notes, if any, will be treated as a single class under the Indenture, including waivers, amendments, redemptions and offers to purchase.

Interest on the Exchange Notes will accrue at the rate of 6.375% per annum and is payable semiannually in arrears on June 1 and December 1, commencing December 1, 2017. We will make each interest payment to the Holders of record of these Notes on the immediately preceding May 15 and November 15. We will pay interest on overdue principal at 1% per annum in excess of the above rate and will pay interest on overdue installments of interest at such higher rate to the extent lawful.

Interest on each Exchange Note will accrue from the last interest payment date on which interest was paid on the New Note surrendered in exchange therefor, or, if no interest has been paid on such New Note, from December 1, 2016. Accrued interest on the New Notes was paid by purchasers of the New Notes from December 1, 2016 to the date of the issuance of the New Notes. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Optional Redemption

Except as set forth below and under the heading Change of Control , we are not and will not be entitled to redeem the Notes.

On and after June 1, 2019, we will be entitled at our option, on one or more occasions, to redeem all or a portion of the Notes, at the redemption prices (expressed in percentages of principal amount on the redemption date), plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on June 1 of the years set forth below:

Period	**Redemption Price**
2019	104.781%
2020	103.188%
2021	101.594%
2022 and thereafter	100.000%

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In addition, any time prior to June 1, 2019, we will be entitled at our option on one or more occasions to redeem Notes (which includes Additional Notes, if any) in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes (which includes Additional Notes, if any) originally issued at a redemption price (expressed as a percentage of principal amount) of 106.375%, plus accrued and unpaid interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), with cash in an amount equal to the net cash proceeds from one or more Qualified Equity Offerings; provided, however, that

(1) at least 65% of such aggregate principal amount of Notes (which includes Additional Notes, if any) remains outstanding immediately after the occurrence of each such redemption (other than Notes held, directly or indirectly, by the Company or its Affiliates); and

(2) each such redemption occurs within 90 days after the date of the related Qualified Equity Offering.

Prior to June 1, 2019, we will be entitled at our option, on one or more occasions, to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest to, the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date).

Selection and Notice of Redemption

If we are redeeming less than all the Notes at any time, the Trustee will select Notes (a) if the Notes are listed on any national securities exchange, in compliance with the requirements of such exchange, (b) if the Notes are held by DTC (as defined below) and DTC prescribes a method of selection, in accordance with the procedures of DTC and (c) on a pro rata basis to the extent practicable.

We will redeem Notes of $2,000 or less in whole and not in part. We will cause notices of redemption to be sent at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address, except that redemption notices may be sent more than 60 days prior to the redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Any inadvertent defect in the notice of redemption, including an inadvertent failure to give notice, to any Holder selected for redemption will not impair or affect the validity of the redemption of any other Note redeemed in accordance with provisions of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount thereof to be redeemed. We will issue a replacement Note in a principal amount equal to the unredeemed portion of the original Note in the name of the Holder upon cancelation of the original Note. Notes called for redemption become due on the date fixed for redemption; provided that any notice of redemption sent in connection with a Qualified Equity Offering, other securities offering or any other financing, or a transaction (or a series of related transactions) that constitutes a Change of Control, may be given, at our discretion, prior to the consummation thereof and be subject to one or more conditions precedent, including consummation of the related Qualified Equity Offering, securities offering or other financing or Change of Control, as applicable, in which case we may revoke such notice on or prior to the specified redemption date if any such condition is not or will not be satisfied. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

We are not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, we may be required to offer to purchase Notes as described under Change of Control and Certain Covenants Limitation on Sales of Assets and Subsidiary Stock. We may at any time and from time to time purchase Notes in the open market or otherwise.

Ranking

Senior Indebtedness versus Notes

The Indebtedness evidenced by the Notes and the Subsidiary Guarantees is Senior Indebtedness of the Company or the applicable Subsidiary Guarantor, as the case may be, ranks equal in right of payment with all existing and future Senior Indebtedness of the Company and the Subsidiary Guarantors, as the case may be, and is effectively subordinated to all existing and future secured Indebtedness (including the Credit Agreement) of the Company and the Subsidiary Guarantors, as the case may be, to the extent of the value of the collateral owned by the Company and the Subsidiary Guarantors, as the case may be, securing such Indebtedness. The phrase in right of payment refers to the contractual ranking of a particular Obligation, regardless of whether an Obligation is secured.

Although the Indenture contains limitations on the amount of additional Indebtedness that the Company and the Restricted Subsidiaries may incur, under certain circumstances the amount of such Indebtedness, including secured Indebtedness, could be substantial. See Certain Covenants Limitation on Indebtedness and Certain Covenants Limitation on Liens.

Liabilities of Subsidiaries versus Notes

Substantially all of our operations are conducted through our Subsidiaries. As of the date hereof, all of our Subsidiaries will be Subsidiary Guarantors other than Heavy Materials, LLC and Spartan Products, LLC, both of which are USVI limited liability companies. As described below under Guarantees, Subsidiary Guarantees may be released under certain circumstances. In addition, our future Subsidiaries may not be required to guarantee the Notes. Claims of creditors of such non-guarantor Subsidiaries, including trade creditors and creditors holding Indebtedness or Guarantees issued by such non-guarantor Subsidiaries, and claims of preferred stockholders of such non-guarantor Subsidiaries, generally will have priority with respect to the assets and earnings of such non-guarantor Subsidiaries over the claims of our creditors, including Holders of the Notes. Accordingly, the Notes are structurally subordinated to creditors (including trade creditors) and preferred stockholders, if any, of such non-guarantor Subsidiaries.

Although the Indenture limits the Incurrence of Indebtedness and preferred stock by certain of our Subsidiaries, such limitation is subject to a number of significant qualifications. Moreover, the Indenture does not impose any limitation on the incurrence by such Subsidiaries of liabilities that are not considered Indebtedness under the Indenture. See Certain Covenants Limitation on Indebtedness.

Guarantees

The Subsidiary Guarantors jointly and severally guarantee, on a senior unsecured basis, our obligations under the Notes and the Indenture. The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee are designed to be limited as necessary to prevent that Subsidiary Guarantee from constituting a fraudulent conveyance under applicable law and, therefore, such Subsidiary Guarantee is specifically limited to an amount that such Subsidiary Guarantor could guarantee without such Subsidiary Guarantee constituting a fraudulent conveyance. This limitation, however, may not be effective to prevent such Subsidiary Guarantee from constituting a fraudulent conveyance. If a Subsidiary Guarantee is rendered voidable, it could be subordinated by a court to all other liabilities (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such liabilities, a Subsidiary Guarantor s liability on its Subsidiary Guarantee could be reduced to zero. See Risk Factors Risks Related to the Exchange Notes and the Exchange Offer Federal and state fraudulent transfer laws may allow a court, under specific circumstances, to void the guarantees and, if that occurs, you may not receive any payments on the Notes.

Each Subsidiary Guarantor that makes a payment under its Subsidiary Guarantee will be entitled upon payment in full of all guaranteed obligations under the Indenture to a contribution from each other Subsidiary

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Guarantor in an amount equal to such other Subsidiary Guarantor s pro rata portion of such payment based on the respective net assets of all the Subsidiary Guarantors at the time of such payment determined in accordance with GAAP.

As described below under Certain Covenants Future Subsidiary Guarantors, in certain circumstances we are required to cause certain of our Subsidiaries to enter into Guarantee Agreements and become Subsidiary Guarantors.

Pursuant to the Indenture, (A) a Subsidiary Guarantor may consolidate with, merge with or into, or transfer all or substantially all its assets to any other Person to the extent described under Certain Covenants Merger and Consolidation and (B) the Capital Stock of a Subsidiary Guarantor may be sold or otherwise disposed of to any other Person to the extent described below under Certain Covenants Limitation on Sales of Assets and Subsidiary Stock.

The Subsidiary Guarantee of a Subsidiary Guarantor will be released:

(1) upon the sale, transfer or other disposition (including by way of consolidation or merger) of such Subsidiary Guarantor, including the sale or disposition of Capital Stock of such Subsidiary Guarantor following which such Subsidiary Guarantor is no longer a Subsidiary;

(2) upon the sale, transfer or other disposition of all or substantially all the assets of such Subsidiary Guarantor;

(3) upon the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture;

(4) upon the release or discharge of the Indebtedness that would have required such Subsidiary Guarantor to enter into a Guarantee Agreement pursuant to the covenant described under Certain Covenants Future Subsidiary Guarantors other than a release or discharge by or as a result of the payment of such Indebtedness; or

(5) if we exercise our legal defeasance option or our covenant defeasance option as described under Defeasance or if our obligations under the Indenture are discharged in accordance with the terms of the Indenture as described under Satisfaction and Discharge ;

provided, however, that in the case of clauses (1) and (2) above, (i) such sale, transfer or other disposition is made to a Person other than the Company or an Affiliate of the Company, (ii) such sale, transfer or other disposition is otherwise permitted by the Indenture and (iii) the Company provides an Officers Certificate to the Trustee to the effect that the Company will comply with its obligations under the covenant described under Certain Covenants Limitation on Sales of Assets and Subsidiary Stock in respect of such sale, transfer or other disposition.

Book-Entry, Delivery and Form

The Exchange Notes will be issued initially only in the form of one or more global notes (collectively, the Global Notes).The Global Notes will be deposited upon issuance with the Trustee as custodian for The Depository Trust Company (DTC), in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below. See Exchange of Global Notes for Certificated Notes. Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of Notes in certificated form.

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In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, which may change from time to time.

Depository procedures

The following description of the operations and procedures of DTC is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited-purpose trust company organized under the laws of the State of New York, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organizations (collectively, the Participants) and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the Indirect Participants). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised us that, pursuant to procedures established by it:

(1) upon deposit of the Global Notes, DTC will credit the accounts of Participants with portions of the principal amount of the Global Notes; and

(2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes who are Participants in DTC s system may hold their interests therein directly through DTC. Investors in the Global Notes who are not Participants may hold their interests therein indirectly through organizations which are Participants in such system. All interests in a Global Note may be subject to the procedures and requirements of DTC. The laws of some jurisdictions require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of an interest in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered

owners or Holders thereof under the Indenture for any purpose.

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered Holder under the Indenture. Under the terms of the Indenture, the Company and the Trustee will treat the Persons in whose names the Notes, including the Global Notes, are registered as the owners of the Notes for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee or any agent of the Company or the Trustee has or will have any responsibility or liability for:

(1) any aspect of DTC s records or any Participant s or Indirect Participant s records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any of DTC s records or any Participant s or Indirect Participant s records relating to the beneficial ownership interests in the Global Notes; or

(2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or the Company. Neither the Company nor the Trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Notes, and the Company and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Transfers between Participants in DTC will be effected in accordance with DTC s procedures, and will be settled in same-day funds.

DTC has advised the Company that it will take any action permitted to be taken by a Holder of Notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Notes for Notes in certificated form, and to distribute such Notes to its Participants.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among Participants, it is under no obligation to perform such procedures, and such procedures may be discontinued or changed at any time. Neither the Company nor the Trustee nor any of their respective agents will have any responsibility for the performance by DTC or its Participants or indirect Participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for certificated notes (Certificated Notes) if:

(1) DTC (a) notifies the Company that it is unwilling or unable to continue as depositary for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in each case, a successor depositary is not appointed;

(2) the Company, at its option and subject to the procedures of DTC, notifies the Trustee in writing that it elects to cause the issuance of the Certificated Notes; or

(3) there has occurred and is continuing a Default with respect to the Notes.

In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the Indenture. In all cases, Certificated

Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures).

Exchange of Certificated Notes for Global Notes

Certificated Notes may not be exchanged for beneficial interests in any Global Note, except in the limited circumstances provided in the Indenture.

Same day settlement and payment

The Company will make payments in respect of the Notes represented by the Global Notes (including principal, premium, if any, interest and additional interest, if any) by wire transfer of immediately available funds to the accounts specified by the Global Note Holder. The Company will make all payments of principal, interest and premium and additional interest, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the Holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such Holder s registered address. The Notes represented by the Global Notes are expected to be eligible to trade in DTC s Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Company expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Change of Control

Upon the occurrence of any of the following events (each a Change of Control), each Holder shall have the right to require that the Company repurchase such Holder s Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date):

(1) any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (1) such person shall be deemed to have beneficial ownership of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company (for the purposes of this clause (1), such person shall be deemed to beneficially own any Voting Stock of the Company held by any other person (the parent entity), if such person is the beneficial owner (as defined above in this clause (1)), directly or indirectly, of more than 50% of the voting power of the Voting Stock of such parent entity);

(2) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(3) the merger or consolidation of the Company with or into another Person or the merger of another Person with or into the Company, or the sale of all or substantially all of the assets of the Company (determined on a consolidated basis) to another Person other than a transaction following which (A) in the case of a merger or consolidation transaction, holders of securities that represented 100% of the Voting Stock of the Company

immediately prior to such transaction own directly or indirectly at least a majority of the voting power of the Voting Stock of the surviving Person in such merger or consolidation transaction immediately after such transaction and (B) in the case of a sale of assets transaction, each transferee becomes an obligor in respect of the Notes and a Subsidiary of the transferor of such assets.

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Within 30 days following any Change of Control unless we have previously or concurrently sent a redemption notice with respect to all outstanding Notes as described under Optional Redemption, we will send a notice to each Holder with a copy to the Trustee (the Change of Control Offer) stating:

(1) that a Change of Control has occurred and that such Holder has the right to require us to purchase such Holder s Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date);

(2) the circumstances and relevant facts regarding such Change of Control (including information with respect to pro forma historical income, cash flow and capitalization, in each case after giving effect to such Change of Control);

(3) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is sent);

(4) if such notice is delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control, and, if applicable, stating that, in the Company s discretion, the purchase date may be delayed until such time as any or all such conditions shall be satisfied, or that such purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the purchase date, or by the purchase date as so delayed; and

(5) the instructions, as determined by us, consistent with the covenant described hereunder, that a Holder must follow in order to have its Notes purchased.

The Credit Agreement may prohibit the Company from purchasing any Notes and may also provide that the occurrence of certain change of control events with respect to the Company constitute a default thereunder. In the event a Change of Control occurs at a time when the Company is prohibited from purchasing Notes, prior to providing the notice to the Holders of the Notes described in the preceding paragraph, but in any event within 30 days following any Change of Control, the Company covenants to:

(1) repay in full all Indebtedness outstanding under the Credit Agreement and terminate all commitments thereunder or offer to repay in full all such Indebtedness and repay the indebtedness of each lender who has accepted such offer (and terminate such lender s commitment); or

(2) obtain the requisite consent under the Credit Agreement to permit the purchase of the Notes as described above.

The Company must first comply with the covenant described above before it will be required to purchase Notes in the event of a Change of Control, provided, however, that the Company s failure to comply with the covenant described in the preceding sentence or to make a Change of Control Offer because of any such failure shall constitute a default described in clause (4) under Defaults below (and not under clause (2) thereof). Such Default may, in turn, constitute a default under the Credit Agreement. As a result of the foregoing, a Holder of the Notes may not be able to compel the Company to purchase the Notes unless the Company is able at the time to refinance all Indebtedness outstanding under the Credit Agreement or obtain requisite consents under the Credit Agreement.

We are not required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by us and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. A Change of Control Offer may be made in advance of a Change of Control, and may be conditional upon such Change of Control if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes as a result of a Change of

Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, we will comply with the applicable securities laws and regulations and shall be deemed not to have breached our obligations under the covenant described hereunder by virtue of our compliance with such securities laws or regulations.

The Change of Control purchase feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of the Company and, thus, the removal of incumbent management. The Change of Control purchase feature is a result of negotiations between the Company and the initial purchasers. We have no present intention to engage in a transaction involving a Change of Control, although it is possible that we could decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. The Indenture does not contain any covenants or provisions that may afford Holders of the Notes protection in the event of a highly leveraged transaction, other than restrictions on our ability to Incur additional Indebtedness contained in the covenants described under Certain Covenants Limitation on Indebtedness and Limitation on Liens. However, such restrictions are subject to numerous exceptions, and can only be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding.

Future indebtedness that we may incur may contain prohibitions on the occurrence of certain events that would constitute a Change of Control or require the repayment or repurchase of such indebtedness upon a Change of Control. Moreover, the exercise by the Holders of their right to require us to repurchase their Notes could cause a default under such indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on us. Finally, our ability to pay cash to the Holders of Notes following the occurrence of a Change of Control may be limited by our then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The definition of Change of Control includes the phrase all or substantially all of the assets of the Company. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of all or substantially all of the assets of the Company. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder of Notes may require the Company to make an offer to repurchase the Notes as described above.

If Holders of not less than 90% in aggregate principal amount of the then outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Company, or any third party making a Change of Control Offer in lieu of the Company as described above, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Company or such third party will have the right, upon not less than 30 days nor more than 60 days prior notice (provided that such notice is given not more than 30 days following the purchase pursuant to the Change of Control Offer described above) to redeem all Notes that remain outstanding following such purchase pursuant to the Change of Control Offer described above at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase of such remaining Notes (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date).

The provisions under the Indenture relative to our obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the Holders of a majority in principal amount of the Notes.

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Certain Covenants

The Indenture contains covenants including, among others, the following:

Limitation on Indebtedness

(a) The Company will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; provided, however, that the Company or any Subsidiary Guarantor will be entitled to Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto on a pro forma basis, the Consolidated Coverage Ratio exceeds 2.00 to 1.00 (any such Indebtedness Incurred pursuant to this clause (a) being herein referred to as Coverage Indebtedness).

(b) Notwithstanding the foregoing paragraph (a), the Company and the Restricted Subsidiaries will be entitled to Incur any or all of the following Indebtedness (any such Indebtedness Incurred pursuant to this clause (b) being herein referred to as Permitted Indebtedness):

(1) Indebtedness Incurred by the Company or any Subsidiary Guarantor pursuant to one or more Credit Facilities; provided, however, that, after giving effect to any such Incurrence, the aggregate principal amount of all Indebtedness Incurred under, and then outstanding under, this clause (1) does not exceed the greater of (i) $350.0 million and (ii) the Borrowing Base at the time of such Incurrence;

(2) Indebtedness owed to and held by the Company or a Restricted Subsidiary; provided, however, that (A) any subsequent issuance or transfer of any Capital Stock which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or a Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien (but not foreclosure thereon)) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the obligor thereon not permitted by this clause (2), (B) if the Company Incurs such Indebtedness owing to a Restricted Subsidiary that is not a Subsidiary Guarantor, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes and (C) if a Subsidiary Guarantor Incurs such Indebtedness owing to a Person that is not the Company or a Subsidiary Guarantor, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations of such Subsidiary Guarantor with respect to its Subsidiary Guarantee; provided further that nothing in the foregoing clause (B) or (C) shall prohibit the repayment of such Indebtedness at maturity or otherwise in compliance with the terms of the Indenture;

(3) the Initial Notes and the Exchange Notes in respect thereof (excluding the New Notes and the Exchange Notes in respect thereof and any other Additional Notes);

(4) Indebtedness outstanding on the Initial Notes Issue Date (other than Indebtedness described in clause (1), (2) or (3) of this covenant);

(5)

Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Subsidiary was acquired by the Company or a Restricted Subsidiary or secured by a Lien on an asset acquired by the Company or by a Restricted Subsidiary (other than Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Subsidiary or such asset was so acquired); provided, however, that (i) on the date of such acquisition and after giving pro forma effect thereto, the Company would have been entitled to Incur at least $1.00 of Coverage Indebtedness pursuant to paragraph (a) of this covenant or the Consolidated Coverage Ratio is greater than the Consolidated Coverage Ratio immediately prior to giving effect to such transaction, and (ii) the Company may, if it so elects, treat as Indebtedness outstanding on the date of acquisition of any such Restricted Subsidiary the amount of any undrawn commitment to fund Indebtedness that such Restricted Subsidiary was entitled to borrow immediately prior to the time of such acquisition; provided that, in connection with any such election, such undrawn commitment shall be treated as outstanding Indebtedness for all purposes under the Indenture, including for purposes of calculating the

Consolidated Coverage Ratio (including in clause (a) above), for so long as such commitment remains outstanding;

(6) Refinancing Indebtedness in respect of any Coverage Indebtedness or any Permitted Indebtedness Incurred pursuant to clause (3), (4), (5), this clause (6), (11) or (17); provided, however, that to the extent such Refinancing Indebtedness directly or indirectly Refinances Indebtedness of a Subsidiary Incurred pursuant to clause (5), such Refinancing Indebtedness shall be Incurred only by such Subsidiary, the Company or the Company and such Subsidiary;

(7) Hedging Obligations incurred in the ordinary course of business designed to manage interest rates or interest rate risk, to protect against fluctuations in currency exchange rates or to manage commodity prices, and not for the purpose of speculation;

(8) obligations in respect of worker s compensation claims, self-insurance obligations, performance, bid and surety bonds, indemnity, judgment, appeal, advance payment, customs, tax or other guarantees or bonds or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or any Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business;

(9) Indebtedness arising (i) from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of its Incurrence and (ii) in connection with endorsement of instruments for deposit in the ordinary course of business;

(10) the Guarantee by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Subsidiary Guarantor that was permitted to be Incurred by another provision of this covenant; provided, however, that if the Indebtedness being guaranteed is subordinated to the Notes, then the Guarantee thereof Incurred pursuant to this clause (10) shall be subordinated to the same extent as the Indebtedness being Guaranteed;

(11) Purchase Money Indebtedness Incurred to finance the acquisition by the Company or a Restricted Subsidiary of assets in the ordinary course of business, in an aggregate principal amount which, on the date of such Incurrence, when added together with the amount of Indebtedness previously Incurred pursuant to this clause (11) and then outstanding under this clause (11), does not exceed the greater of $40.0 million and 12.0% of Consolidated Net Tangible Assets at the time of Incurrence;

(12) indemnification, adjustment of purchase price, earn-out or similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets of the Company or any Restricted Subsidiary or Capital Stock of a Restricted Subsidiary, other than Guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Capital Stock for the purpose of financing any such acquisition; provided that, in the case of a disposition, the maximum aggregate

liability in respect of all such obligations outstanding under this clause (12) shall at no time exceed the gross proceeds actually received by the Company and the Restricted Subsidiaries in connection with such disposition;

(13) Indebtedness of the Company or any Restricted Subsidiary incurred in the ordinary course of business under guarantees of Indebtedness of suppliers, licensees, franchisees or customers in an aggregate amount not to exceed $5.0 million at any time outstanding;

(14) Indebtedness Incurred by the Company or any Restricted Subsidiary consisting of obligations to pay insurance premiums in an amount not to exceed the annual premiums in respect of such insurance premiums at any one time outstanding;

(15) Indebtedness Incurred by the Company or any Restricted Subsidiary related to unfunded pension fund and other employee benefit plan obligations and liabilities to the extent they are permitted to remain unfunded under applicable law;

(16) Indebtedness of the Company or a Restricted Subsidiary in an aggregate principal amount which, when taken together with all other Indebtedness Incurred pursuant to, and outstanding on the date of such Incurrence under, this clause (16) does not exceed the greater of $50.0 million and 15.0% of Consolidated Net Tangible Assets at the time of Incurrence;

(17) Acquired Indebtedness of Persons that are merged into or consolidated with the Company or any Restricted Subsidiary in accordance with clause (a) of Certain Covenants Merger and Consolidation (other than Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, any such transaction or series of transactions) provided, however, the Company may, if it so elects, treat as Indebtedness outstanding on the date of such merger or consolidation the amount of any undrawn commitment to fund Indebtedness that such other Person was entitled to borrow immediately prior to the time of such merger; provided that, in connection with any such election, such undrawn commitment shall be treated as outstanding Indebtedness for all purposes under the Indenture, including for purposes of calculating the Consolidated Coverage Ratio (including in clause (a)(3) under Certain Covenants Merger and Consolidation), for so long as such commitment remains outstanding;

(18) Indebtedness of the Issuer or any Restricted Subsidiary supported by one or more letters of credit issued under a Credit Facility in accordance with clause (1); provided that such Indebtedness is in a principal amount not in excess of the stated amount of such letter(s) of credit;

(19) Indebtedness issued by the Company or any Restricted Subsidiary to current or former officers, directors, consultants and employees thereof, their respective estates, spouses or former spouses, in each case, to finance the purchase or redemption of Capital Stock of the Company or any of its Subsidiaries permitted by clause (b)(4) of the second paragraph under Certain Covenants Limitation of Restricted Payments in an amount not to exceed $2.0 million at any time outstanding; and

(20) Indebtedness of Foreign Subsidiaries in an aggregate principal amount which, when taken together with all other Indebtedness Incurred pursuant to, and outstanding on the date of such Incurrence under, this clause (20) does not exceed $25.0 million.

(c) Notwithstanding the foregoing, neither the Company nor any Subsidiary Guarantor will Incur any Indebtedness pursuant to the foregoing paragraph (b) if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations of the Company or any Subsidiary Guarantor unless either (i) such Indebtedness shall be subordinated to the Notes or the applicable Subsidiary Guarantee to at least the same extent as such Subordinated Obligations or (ii) such Refinancing shall constitute a Restricted Payment made pursuant to clause (a) of the covenant described under Certain Covenants Limitation on Restricted Payments that reduces the amount available for Restricted Payments under clause (a)(3) of such covenant by the principal amount of such Subordinated Obligations.

(d) For purposes of determining compliance with this covenant:

(1) any Indebtedness outstanding on the Initial Notes Issue Date under the Credit Agreement after the application of the net proceeds from the sale of the Initial Notes will be treated as Incurred on the Initial Notes Issue Date under clause (1) of paragraph (b) above;

(2) in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described above, the Company, in its sole discretion, will classify such item of Indebtedness (or any portion thereof) at the time of Incurrence and will only be required to include the amount and type of such Indebtedness in one of the above clauses;

(3) the Company will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described above and, in that connection, the Company will be entitled to treat a portion of such Indebtedness as Coverage Indebtedness and the balance of such Indebtedness as an item or items of Permitted Indebtedness; and

(4) any Indebtedness originally classified as Incurred pursuant to paragraph (a) above or one of the clauses in paragraph (b) above (other than Indebtedness described in clause (1) of this paragraph (d), if any) may later be reclassified from time to time by the Company such that it will be deemed as having been Incurred as Coverage Indebtedness pursuant to paragraph (a) above or as Indebtedness permitted pursuant to another clause in paragraph (b) above, as applicable, to the extent that such reclassified Indebtedness could be Incurred pursuant thereto at the time of such reclassification.

(e) For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness or any other covenant, limitation or ratio in the Indenture, the U.S. dollar equivalent principal amount of Indebtedness denominated in a foreign currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred. Notwithstanding any other provision of the Indenture, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may Incur pursuant to this Limitation on Indebtedness covenant shall not be deemed to be exceeded, nor shall any other covenant, limitation or ratio in the Indenture be deemed to be breached or exceeded, solely as a result of fluctuations in exchange rates or currency values.

Limitation on Restricted Payments

(a) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, make a Restricted Payment if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(1) a Default shall have occurred and be continuing (or would result therefrom);

(2) the Company is not entitled to Incur an additional $1.00 of Coverage Indebtedness pursuant to the covenant described under Limitation on Indebtedness ; or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments since the Initial Notes Issue Date would exceed the sum of (without duplication):

(A) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from April 1, 2016 to the end of the most recent fiscal quarter ending at least 45 days prior to the date of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit); plus

(B) 100% of the aggregate Net Cash Proceeds or Fair Market Value of any asset (other than cash) received by the Company either (x) from the issuance or sale of its Qualified Capital Stock subsequent to the Initial Notes Issue Date or (y) as a contribution in respect of its Qualified Capital Stock from its shareholders subsequent to the Initial Notes Issue Date, but excluding in each case any Net Cash Proceeds (1) from Excluded Contributions, (2) that are used to redeem Notes in accordance with the third paragraph under Optional redemption and (3) from sales to a Subsidiary of the Company or to an employee stock ownership plan or a trust established by the Company or any of its Subsidiaries for the benefit of their employees; plus

(C) the amount by which the principal amount of Indebtedness of the Company (other than Indebtedness owing to a Subsidiary) is reduced upon the conversion or exchange subsequent to the Initial Notes Issue Date of any Indebtedness of the Company convertible or exchangeable for Qualified Capital Stock of the Company (less the amount of any cash, or the fair value of any other property, distributed by the Company upon such conversion or exchange); provided, however, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any Restricted Subsidiary from the sale of such Indebtedness (excluding Net Cash Proceeds (i) to the extent constituting Excluded Contributions and (ii) from sales to a Subsidiary of the Company or to an employee stock ownership plan or a trust established by the Company or any of its Subsidiaries for the benefit of their employees); plus

(D) an amount equal to the sum of (x) the aggregate amount of cash and the Fair Market Value of any asset (other than cash) received by the Company or any Restricted Subsidiary subsequent to the

Initial Notes Issue Date with respect to Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in any Person (other than the Company or any Restricted Subsidiary) and resulting from repurchases, repayments or redemptions of such Investments or repayments of loans or advances and releases of guarantees that constitute such Investments, in each case, by any Person, and dividends or other distributions or payments with respect to, and proceeds realized on the sale of, such Investments, and (y) in the event that the Company redesignates an Unrestricted Subsidiary to be a Restricted Subsidiary, the portion (proportionate to the Company s equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary (other than to the extent the Company s Investment in such Unrestricted Subsidiary constituted a Permitted Investment); provided, however, that the foregoing sum shall not exceed, in the case of any such Person or Unrestricted Subsidiary, the amount of Investments (excluding Permitted Investments) previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Person or Unrestricted Subsidiary.

(b) The preceding provisions will not prohibit:

(1) any Restricted Payment made out of the Net Cash Proceeds of the substantially concurrent sale of, or made by conversion or exchange for, or for consideration consisting only of, Qualified Capital Stock of the Company or a substantially concurrent cash capital contribution received by the Company from its shareholders with respect to its Qualified Capital Stock; provided however, that (A) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale or such cash capital contribution (to the extent so used for such Restricted Payment) shall be excluded from the calculation of amounts under clause (3)(B) of paragraph (a) above;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Company or a Subsidiary Guarantor made by exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Indebtedness of such Person which is permitted to be Incurred pursuant to the covenant described under Limitation on Indebtedness ; provided, however, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments, except any such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value made after the Initial Notes Issue Date in connection with a Refinancing of Indebtedness pursuant to clause (c)(ii) under Certain Covenants Limitation on Indebtedness shall be included in the calculation of the amount of Restricted Payments;

(3) the payment of any dividend, distribution or redemption of any Capital Stock or Subordinated Obligations within 60 days after the date of declaration thereof or call for redemption if, at such date of declaration or call for redemption, such payment or redemption was permitted by the provisions of paragraph (a) of this covenant (the declaration of such payment will be deemed a Restricted Payment under paragraph (a) of this covenant as of the date of declaration and the payment itself will be deemed to have been paid on such date of declaration and will not also be deemed a Restricted Payment under paragraph (a) of this covenant); provided, however, that any Restricted Payment made in reliance on this clause (3) shall reduce the amount available for Restricted Payments pursuant to clause (a)(3) above only once;

(4) so long as no Default has occurred and is continuing, the purchase, redemption or other acquisition of shares of Capital Stock of the Company or any of its Subsidiaries from then current or former officers, employees, directors or consultants of the Company or any of its Subsidiaries (or permitted transferees of such individuals), pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell or are granted the option to purchase or sell, shares of such Capital Stock; provided,

however, that the aggregate amount of such Restricted Payments (excluding amounts representing cancelation of Indebtedness) shall not exceed (a) $5.0 million in any calendar year (with any unused amounts being available to be used in the following calendar year, but not in any succeeding calendar year) plus (b) the net cash proceeds of any key-man life insurance policies that have not been applied to the payment of Restricted Payments pursuant to this clause (4); provided further, however, that such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;

(5) the declaration and payments of dividends on Disqualified Stock issued pursuant to the covenant described under Limitation on Indebtedness ; provided, however, that, at the time of payment of such dividend, no Default shall have occurred and be continuing (or result therefrom); provided further, however, that such dividends shall be excluded in the calculation of the amount of Restricted Payments;

(6) repurchases, redemptions and other acquisitions and retirements of Capital Stock (i) deemed to occur upon exercise of stock options or other similar stock-based awards under equity plans, warrants or other Capital Stock if such Capital Stock represents a portion of the exercise price of such options, other similar stock-based awards under equity plans, warrants or other Capital Stock or (ii) in connection with a gross up for tax withholding related to such Capital Stock; provided, however, that such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;

(7) cash payments in lieu of the issuance of fractional shares or upon the purchase, redemption or other acquisition of fractional shares, including in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company or any share dividend, distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination of the Company, in each case, permitted by the Indenture; provided, however, that any such cash payment shall not be for the purpose of evading the limitation of the covenant described under this subheading (as determined in good faith by the Board of Directors); provided further, however, that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(8) any payment, purchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations, Disqualified Stock or Preferred Stock of the Company or any Subsidiary Guarantor (i) from Net Available Cash to the extent permitted under Limitation on Sales of Assets and Subsidiary Stock below, but only if the Company shall have first complied with the terms described under Limitation on Sales of Assets and Subsidiary Stock and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Obligations, Disqualified Stock or Preferred Stock or (ii) to the extent required by the agreement governing such Subordinated Obligations, Disqualified Stock or Preferred Stock, following the occurrence of a Change of Control (or other similar event described therein as a change of control), but only if the Company shall have complied with the terms described under Change of Control and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Obligations, Disqualified Stock or Preferred Stock; provided, however, that such payments, purchases, redemptions, defeasances or other acquisitions or retirements made after the Initial Notes Issue Date shall be included in the calculation of the amount of Restricted Payments;

(9) payments of intercompany subordinated Permitted Indebtedness, the Incurrence of which was permitted under clause (2) of paragraph (b) of the covenant described under Limitation on Indebtedness; provided, however, that no Default has occurred and is continuing or would otherwise result therefrom; provided further, however, that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(10) any other Restricted Payment in an amount which, when taken together with all Restricted Payments made pursuant to this clause (10), does not exceed the greater of (i) $15.0 million and (ii) 4.5% of

Consolidated Net Tangible Assets; provided, however, that (A) at the time of each such Restricted Payment, no Default shall have occurred and be continuing (or result therefrom) and (B) such Restricted Payment made after the Initial Notes Issue Date shall be included in the calculation of the amount of Restricted Payments;

(11) Restricted Payments in an amount that does not exceed the amount of Excluded Contributions made since the Initial Notes Issue Date; provided that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(12) the distribution, by dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Company or any Restricted Subsidiary by, Unrestricted Subsidiaries (other than Unrestricted Subsidiaries, the primary assets of which are cash or Temporary Cash Investments); provided, however, that such payments shall be excluded in the calculation of the amount of Restricted Payments; and

(13) Restricted Payments in respect of the Company s repurchase or other acquisition or retirement of warrants existing as of the Initial Notes Issue Date with respect to its Capital Stock; provided, however, that (A) the aggregate amount of such Restricted Payments shall not exceed $15.0 million and (B) such Restricted Payments made after the Initial Notes Issue Date shall be included in the calculation of the amount of Restricted Payments.

If any Person in which an Investment is made, which Investment constitutes a Restricted Payment when made, thereafter becomes a Restricted Subsidiary in accordance with the Indenture, all such Investments previously made in such Person shall no longer be counted as Restricted Payments for purposes of calculating the amount of Restricted Payments pursuant to clause (a)(3) of this covenant.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock to the Company or a Restricted Subsidiary or pay any Indebtedness owed to the Company (it being understood that the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Capital Stock shall be deemed to not be a restriction on the ability to pay dividends or make other distributions on Capital Stock), (b) make any loans or advances to the Company or (c) transfer any of its property or assets to the Company, except:

(1) with respect to clauses (a), (b) and (c),

(A) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the Initial Notes Issue Date, including the Credit Agreement as in effect on the Initial Notes Issue Date;

(B) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Indebtedness Incurred by such Restricted Subsidiary on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company) and outstanding on such date;

(C) any encumbrance or restriction pursuant to an agreement effecting a Refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (A) or (B) of clause (1) of this covenant or this clause (C) or contained in any amendment to an agreement referred to in clause (A) or (B) of clause (1) of this covenant or this clause (C); provided, however, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such refinancing agreement or amendment are not materially less favorable, taken as a whole, to the Company (as determined by the Board of Directors in its reasonable and good faith judgment) than encumbrances and restrictions with respect to such Restricted Subsidiary contained in such predecessor agreements;

(D) any encumbrance or restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (including by merger or consolidation) pending the closing of such transaction;

(E) any encumbrance or restriction pursuant to applicable law, rule, regulation or order;

(F) restrictions on cash, cash equivalents, Temporary Cash Investments or other deposits or net worth imposed under contracts entered into in the ordinary course of business, including such restrictions imposed by customers or insurance, surety or bonding companies;

(G) any encumbrance or restriction with respect to a Foreign Subsidiary entered into the ordinary course of business or pursuant to the terms of Indebtedness that was Incurred by such Foreign Subsidiary in compliance with the terms of the Indenture;

(H) provisions contained in any license, permit or other accreditation with a regulatory authority entered into in the ordinary course of business;

(I) provisions in agreements or instruments that prohibit the payment or making of dividends or other distributions other than on a pro rata basis;

(J) customary supermajority voting provisions and other customary provisions with respect to the disposition or distribution of assets, each contained in corporate charters, bylaws, stockholders agreements, limited liability company agreements, partnership agreements, joint venture agreements and other similar agreements entered in the ordinary course of business of the Company and its Restricted Subsidiaries; and

(K) encumbrances or restrictions existing under or by reason of other Indebtedness (including Hedging Obligations), Disqualified Stock or Preferred Stock permitted to be Incurred subsequent to the Initial Notes Issue Date pursuant to the provisions of the covenant described under Limitation on Indebtedness and either (1) the provisions relating to such encumbrance or restriction contained in such Indebtedness are not materially less favorable to the Company, taken as a whole, as determined by the Board of Directors in good faith, than the provisions contained in the Credit Agreement as in effect on the Initial Notes Issue Date or (2) any such encumbrance or restriction contained in such Indebtedness does not prohibit (except upon a default or an event of default thereunder) the payment of dividends in an amount sufficient, as determined by the Board of Directors in good faith, to make scheduled payments of cash interest on the Notes when due;

(2) with respect to clause (c) only,

(A) any encumbrance or restriction consisting of customary nonassignment provisions in leases, licenses or similar agreements to the extent such provisions restrict the transfer of the lease, license or similar agreement or the property subject thereto;

(B) any encumbrance or restriction contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements or mortgages;

(C) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary; and

(D) encumbrances and restrictions contained in contracts entered into in the ordinary course of business not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value, property or assets of the Company or any Restricted Subsidiary in any manner material to the Company and its Restricted Subsidiaries taken as a whole.

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In each case set forth above, notwithstanding any stated limitation on the assets or property that may be subject to such encumbrance or restriction, an encumbrance or restriction on a specified asset or property or group or type of assets or property may also apply to all improvements, repairs, additions, attachments and accessions thereto, assets and property affixed or appurtenant thereto, parts, replacements and substitutions therefor, and all products and proceeds thereof, including dividends, distributions, interest and increases in respect thereof.

Limitation on Sales of Assets and Subsidiary Stock

(a) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value (including as to the value of all non-cash consideration) of the shares and other assets subject to such Asset Disposition (in each case, such Fair Market Value to be determined on the date of contractually agreeing to such Asset Disposition);

(2) at least 75% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of cash or Temporary Cash Investments;

(3) if and to the extent that the Company so elects, the Net Available Cash from such Asset Disposition may be applied by the Company (or such Restricted Subsidiary, as the case may be) within 365 days of the receipt of such Net Available Cash:

(i) to prepay, repay or purchase Senior Indebtedness; provided, however, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (i), the Company or such Restricted Subsidiary shall permanently retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; provided further that if the Company or such Restricted Subsidiary shall so reduce any unsecured Senior Indebtedness, the Company will equally and ratably reduce Indebtedness under the Notes by making an offer to all Holders of the Notes to purchase at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, the pro rata principal amount of the Notes, such offer to be conducted in accordance with the procedures set forth below for an Asset Disposition Offer but without any further limitation in amount; or

(ii) to reduce Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor; provided, however, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (ii), such Restricted Subsidiary shall permanently retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or otherwise retired, in each case of (i) and (ii) other than Indebtedness owed to the Company or an Affiliate of the Company;

(iii) to acquire Additional Assets within 365 days of the receipt of such Net Available Cash; provided that, in the case of this clause (iii), a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment so long as the Company or such Restricted Subsidiary enters into such commitment with the good faith expectation that such Net Available Cash will be applied to satisfy such commitment within 180 days of such commitment (an Acceptable Commitment) and if any Acceptable Commitment is later cancelled or terminated for any reason before such Net Available Cash is applied, then such Net Available Cash shall constitute Excess

Proceeds; or

(iv) a combination of the foregoing; and

(4) Any Net Available Cash from the Asset Dispositions covered by this clause (a) that is not invested or applied, or committed to be invested or applied, as provided in the preceding paragraph (3) will be deemed to constitute Excess Proceeds. When the aggregate amount of Excess Proceeds exceeds

$25.0 million, within 30 days thereof, the Company shall make an offer to all Holders of the Notes (each, an Asset Disposition Offer), and, if required by the terms of any other Senior Indebtedness, to the holders of such other Senior Indebtedness, to purchase the maximum aggregate principal amount of the Notes and any such other Senior Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount of the Notes and such other Senior Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, subject to, without duplication, the right of Holders of the Notes of record on the relevant record date to receive interest due on the relevant interest payment date, in accordance with the procedures set forth in the Indenture or the agreements governing such other Senior Indebtedness, as applicable, and, with respect to the Notes, in minimum denominations of $2,000 and in integral multiples of $1,000 in excess thereof. The Company will commence an Asset Disposition Offer with respect to Excess Proceeds within 30 days after the date that Excess Proceeds exceed $25.0 million by providing the notice required pursuant to the terms of the Indenture, with a copy to the Trustee. The Company may satisfy the foregoing obligation with respect to such Net Available Cash from an Asset Disposition by making an Asset Disposition Offer with respect to such Net Available Cash prior to the expiration of the Application Period.

To the extent that the aggregate amount of Notes and such other Senior Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes or other Senior Indebtedness tendered in any Asset Disposition Offer by Holders and holders or lenders of Senior Indebtedness exceeds the amount of Excess Proceeds, the Company shall select the Notes and such other Senior Indebtedness to be purchased on a pro rata basis based on the principal amounts tendered or required to be prepaid or redeemed; provided that no Notes or other Senior Indebtedness will be selected and purchased in an unauthorized denomination. Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

(b) The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Company will comply with the applicable securities laws and regulations and will be deemed not to have breached its obligations under this covenant by virtue of its compliance with such securities laws or regulations.

In the event of the transfer of substantially all (but not all) of the assets of the Company and the Restricted Subsidiaries as an entirety to a Person in accordance with the Indenture, the successor shall be deemed to have sold for cash at Fair Market Value the assets of the Company and the Restricted Subsidiaries not so transferred for purposes of this covenant, and shall comply with the provisions of this covenant with respect to such deemed sale as if it were an Asset Disposition (with such Fair Market Value being deemed to be Net Available Cash for such purpose).

Pending application of Net Available Cash pursuant to this covenant, such Net Available Cash may be invested in Temporary Cash Investments or applied to temporarily reduce revolving credit indebtedness.

For the purposes of clause (a)(2) of this covenant, and for no other purpose, the following are deemed to be Temporary Cash Investments:

(1) the assumption or discharge of Senior Indebtedness of the Company or any Subsidiary Guarantor (other than obligations in respect of Disqualified Stock of the Company or Preferred Stock of a Subsidiary Guarantor) or any Indebtedness or Preferred Stock of a Restricted Subsidiary that is not a Subsidiary Guarantor and the

release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

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(2) any securities or other obligations received by the Company or any Restricted Subsidiary from the transferee that are converted by the Company or such Restricted Subsidiary into cash within 180 days after such Asset Disposition, to the extent of the cash received in that conversion;

(3) the Fair Market Value of (i) any assets (other than securities) received by the Company or any Restricted Subsidiary to be used by it in the Related Business, (ii) Capital Stock in a Person that is a Restricted Subsidiary or in a Person engaged in the Related Business that shall become a Restricted Subsidiary immediately upon the acquisition of such Person by the Company or any Restricted Subsidiary or (iii) a combination of (i) and (ii); and

(4) any Designated Non-cash Consideration received by the Company or such Restricted Subsidiary in such Asset Disposition having an aggregate Fair Market Value, taken together with the Fair Market Value of all other Designated Non-cash Consideration received pursuant to this clause (4) that is at that time outstanding, not greater than 5.0% of Consolidated Net Tangible Assets at the time of the receipt of such Designated Non-cash Consideration, with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value.

All references herein to Net Available Cash and Excess Proceeds shall be deemed to mean cash in an amount equal to the amount of Net Available Cash or Excess Proceeds, as applicable, but not necessarily the actual cash received from the relevant Asset Disposition. The Company and its Subsidiaries shall have no obligation to segregate, trace or otherwise identify Net Available Cash or Excess Proceeds, it being agreed that cash is fungible and that the Company s obligations under this covenant may be satisfied by the application of funds from other sources.

Limitation on Affiliate Transactions

(a) The Company will not, and will not permit any Restricted Subsidiary to, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with (which term, for purposes of this covenant, shall include for the benefit of where appropriate in the context) any Affiliate of the Company that involves an amount in excess of $5.0 million (an Affiliate Transaction) unless:

(1) the terms of the Affiliate Transaction are not materially less favorable to the Company or such Restricted Subsidiary than those that could reasonably be expected to be obtained at the time of the Affiliate Transaction in arm s-length dealings with a Person who is not an Affiliate;

(2) if such Affiliate Transaction involves an amount in excess of $15.0 million, the terms of the Affiliate Transaction are set forth in writing and a majority of the non-employee directors of the Company disinterested with respect to such Affiliate Transaction have determined in good faith that the criteria set forth in clause (1) are satisfied and have approved the relevant Affiliate Transaction as evidenced by a resolution of the Board of Directors; and

(3) if such Affiliate Transaction involves an amount in excess of $30.0 million, the Board of Directors shall also have received a written opinion from an Independent Qualified Party to the effect that such Affiliate

Transaction is fair, from a financial standpoint, to the Company and its Restricted Subsidiaries or is not materially less favorable to the Company and its Restricted Subsidiaries than could reasonably be expected to be obtained at the time in an arm s-length transaction with a Person who was not an Affiliate.

(b) The provisions of the preceding paragraph (a) will not prohibit:

(1) (i) any Restricted Payment permitted to be made pursuant to the covenant described under Certain Covenants Limitation on Restricted Payments or any Permitted Investment (or any Affiliate Transaction that would constitute a Restricted Payment or Permitted Investment but for the exclusions from such definitions and their component definitions) and (ii) any Permitted Lien;

(2) any employment agreement or other employment compensation plan in existence on the Initial Notes Issue Date or entered into thereafter in the ordinary course of business, including any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors;

(3) reasonable compensation (including bonuses) and other benefits (including retirement, health, stock option and other benefit plans), indemnification arrangements, employment and severance agreements provided on behalf of directors, officers and employees of the Company or its Restricted Subsidiaries, in each case, approved by the Board of Directors or, in the case of indemnification arrangements, consistent with applicable charter, by-law or statutory provisions;

(4) any transaction with the Company, a Restricted Subsidiary or joint venture or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns an equity interest in or otherwise controls such Restricted Subsidiary, joint venture or similar entity;

(5) the issuance or sale of any Capital Stock (other than Disqualified Stock) of the Company;

(6) transactions with customers, clients, vendors, suppliers or other purchasers or sellers of goods or services, in each case in the ordinary course of business (including pursuant to joint venture agreements);

(7) any transaction on arm s-length terms with any non-Affiliate that becomes an Affiliate as a result of such transaction;

(8) any agreement as in effect on the Initial Notes Issue Date and described in the offering memorandum dated May 23, 2016, relating to the issuance of the Initial Notes, or any renewals or extensions of any such agreement (so long as such renewals or extensions, taken as a whole, are not materially less favorable to the Company or the Restricted Subsidiaries) and the transactions evidenced thereby; and

(9) reasonable advances to or reimbursements of employees for moving expenses, travel expenses and similar expenditures, in each case, in the ordinary course of business of the Company or any of its Restricted Subsidiaries.

Limitation on Line of Business

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Related Business, except to such extent as would not be material to the Company and its Restricted Subsidiaries as a whole.

Limitation on Liens

The Company will not, and will not permit any Subsidiary Guarantor to, Incur or permit to exist any Lien (the Initial Lien) of any nature whatsoever on any of its properties (including Capital Stock of a Restricted Subsidiary), whether owned at the Initial Notes Issue Date or thereafter acquired, securing any Indebtedness, other than any Initial Lien if (i) the Notes and the Subsidiary Guarantees are equally and ratably secured with (or on a senior basis to, in the case such Initial Lien secures any Subordinated Obligation) the Indebtedness secured by such Initial Lien or (ii) such Initial Lien is a Permitted Lien.

Any such Lien thereby created securing the Notes or any Subsidiary Guarantee pursuant to the preceding paragraph will be automatically and unconditionally released and discharged (i) upon the release and discharge of each Initial Lien to which it relates, (ii) in the case of such Lien securing any such Subsidiary Guarantee, upon the termination and discharge of such Subsidiary Guarantee in accordance with the terms of the Indenture or (iii) upon any sale, exchange or transfer to any Person not an Affiliate of the Company of the property or assets secured by such Initial Lien.

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Merger and Consolidation

(a) The Company will not consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all its assets to, any Person, unless:

(1) the Company shall be the surviving corporation or the resulting, surviving or transferee Person (the Successor Company) shall be a corporation, limited liability company or limited partnership organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company (if not the Company) shall expressly assume, by an indenture supplemental thereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Notes and the Indenture; provided that if such Person is a limited liability company or a limited partnership, such Person will form a Wholly Owned Subsidiary that is a corporation and cause such Wholly Owned Subsidiary to become a co-issuer of the Notes;

(2) immediately after giving pro forma effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Subsidiary as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(3) immediately after giving pro forma effect to such transaction, either (A) the Successor Company would be able to Incur an additional $1.00 of Coverage Indebtedness pursuant to the covenant described under Limitation on Indebtedness or (B) the Consolidated Coverage Ratio of the Successor Company is greater than the Consolidated Coverage Ratio of the Company immediately prior to giving effect to such transaction; and

(4) the Successor Company shall have delivered to the Trustee an Officers Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture comply with the Indenture;

provided, however, that clause (3) will not be applicable to (A) a Restricted Subsidiary consolidating with, merging into or transferring all or part of its properties and assets to the Company (so long as no Capital Stock of the Company is distributed to any Person) or (B) the Company merging with an Affiliate of the Company solely for the purpose of reincorporating the Company in another jurisdiction and achieving the benefits thereof.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company will be the successor to the Company and shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the Subsidiary Guarantees and the predecessor Company, except in the case of a lease, shall be released from the obligation to pay the principal of and interest on the Notes.

For all purposes of the Indenture, Subsidiaries of any Successor Company will, upon any transaction subject to this covenant, become Restricted Subsidiaries or Unrestricted Subsidiaries as provided pursuant to the Indenture, and all Indebtedness and Liens of the Successor Company and its Subsidiaries that was not Indebtedness or Liens on property or assets, as the case may be, of the Company and its Subsidiaries immediately prior to such transaction shall be deemed to have been Incurred upon such transaction.

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(b) The Company will not permit any Subsidiary Guarantor to consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, all or substantially all of its assets to any Person (other than the Company or a Subsidiary Guarantor) unless:

(1) except in the case of a Subsidiary Guarantor (x) that has been, or will be as a result of a transaction, disposed of in its entirety to another Person (other than to the Company or an Affiliate of the Company), whether through a merger, consolidation or sale of Capital Stock or assets or (y) that, as a result of the disposition of all or a portion of its Capital Stock, ceases to be a Subsidiary, in each case, if in connection therewith the Company provides an Officers Certificate to the Trustee to the effect that the Company will comply with its obligations under the covenant described under Limitation on Sales of Assets and Subsidiary Stock in respect of such disposition, the resulting, surviving or transferee Person (if not such Subsidiary) shall be a Person organized and existing under the laws of the jurisdiction under which such Subsidiary was organized or under the laws of the United States of America, or any State thereof or the District of Columbia, and such Person shall expressly assume, by a Guarantee Agreement, in a form satisfactory to the Trustee, all the obligations of such Subsidiary, if any, under its Subsidiary Guarantee;

(2) immediately after giving effect to such transaction or transactions on a pro forma basis (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been issued by such Person at the time of such transaction), no Default shall have occurred and be continuing; and

(3) the Company delivers to the Trustee an Officers Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such Guarantee Agreement comply with the Indenture.

Future Subsidiary Guarantors

The Company will cause each Restricted Subsidiary that enters into a Guarantee of any Indebtedness of the Company or any Restricted Subsidiary (other than a Foreign Subsidiary that Guarantees only Indebtedness Incurred by another Foreign Subsidiary) to execute and deliver to the Trustee a Guarantee Agreement pursuant to which such Restricted Subsidiary will Guarantee payment of the Notes on a senior basis on the same terms and conditions as those set forth in the Indenture and applicable to the other Subsidiary Guarantors, as well as an Opinion of Counsel that such Guarantee Agreement has been duly authorized, executed and delivered by such Restricted Subsidiary and constitutes a legal, valid, binding and enforceable obligation of such Restricted Subsidiary.

SEC Reports

So long as the Notes are outstanding, the Company will file with the SEC subject to the next sentence and provide the Trustee and the Holders of the Notes with such annual and other reports (i) at any time that the Company is subject to the reporting requirements of Sections 13 and 15(d) of the Exchange Act, as are specified in such sections and (ii) at any other time, on Forms 10-Q and 10-K and all current reports on Form 8-K that would be required if the Company was at such time subject to the reporting requirements of Sections 13 and 15(d) of the Exchange Act, in each case, such reports to be so filed and provided at the times specified for the filings of such reports under such Sections, after giving effect to all applicable extensions and cure periods, and containing all the information, audit reports and exhibits required for such reports. If, at any time, the Company is not subject to the periodic reporting requirements of the Exchange Act for any reason, the Company will nevertheless continue filing the reports specified in clause (ii) of the preceding sentence with the SEC within the time periods required, after giving effect to all applicable extensions and cure periods, unless the SEC will not accept such a filing. The Company agrees that it will not take any action for the purpose of causing the SEC not to accept such filings. If, notwithstanding the foregoing, the SEC will not accept such filings for any reason, the Company will post the reports specified in the preceding sentence on its website within the time periods that would apply if the Company were required to file those reports with the SEC, after giving effect to all applicable extensions and cure periods.

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At any time that any of the Company s Subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management s Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

This covenant will be deemed not to impose any duty on the Company under the Sarbanes-Oxley Act of 2002 and the related SEC rules that would not otherwise be applicable.

In addition, at any time when the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will furnish to the Holders of the Notes and to prospective investors, upon the requests of such Holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely transferable under the Securities Act.

The Company shall be deemed to have furnished such reports to the Trustee and the Holders of the Notes if it has filed such reports with the SEC using the EDGAR (or any successor) filing system and such reports are publicly available through such filing system.

Defaults

Each of the following is an Event of Default:

(1) a default in the payment of interest on the Notes when due, continued for 30 days;

(2) a default in the payment of principal of any Note when due at its Stated Maturity, upon optional redemption, upon required purchase, upon declaration of acceleration or otherwise;

(3) the failure by the Company to comply with its obligations under Certain Covenants Merger and Consolidation above;

(4) the failure by the Company to comply for (i) 30 days after notice with any of its obligations in the covenants described above under Change of Control (other than a failure to purchase Notes) or under Certain Covenants under Limitation on Indebtedness, Limitation on Restricted Payments, Limitation on Restrict on Distributions from Restricted Subsidiaries, Limitation on Sales of Assets and Subsidiary Stock (other than a failure to purchase Notes), Limitation on Affiliate Transactions, Limitation on Line of Business, Limitation on Liens or Future Subsidiary Guarantors or (ii) 120 days after notice with any of its obligations in the covenant described above under Certain Covenants SEC Reports ;

(5) the failure by the Company or any Subsidiary Guarantor to comply for 60 days after notice with its other agreements contained in the Indenture;

(6) Indebtedness of the Company, any Subsidiary Guarantor or any Significant Subsidiary is not paid within any applicable grace period after final maturity or is accelerated by the holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds $30.0 million (the cross acceleration provision);

(7) certain events of bankruptcy, insolvency or reorganization of the Company or any Significant Subsidiary (the bankruptcy provisions);

(8) any judgment or decree for the payment of money in excess of $30.0 million (in excess of amounts covered by insurance policies issued by reputable and solvent insurance companies and as to which the relevant insurer has not disclaimed responsibility) is entered against the Company or any Significant Subsidiary, remains outstanding for a period of 60 consecutive days following such judgment and is not discharged, waived or stayed (the judgment default provision); or

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(9) any Subsidiary Guarantee of any Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Subsidiary Guarantee) or any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee.

However, a default under clause (4) and clause (5) will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes notify the Company of the default and the Company does not cure such default within the time specified after receipt of such notice. Any default for the failure to deliver any report within the time periods prescribed in the covenant described under Certain Covenants SEC Reports or to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the subsequent delivery of any such report, notice or certificate, even though such delivery is not within the prescribed period specified.

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes may declare the principal of and accrued but unpaid interest on all the Notes to be due and payable. Upon such a declaration, such principal and interest shall be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company occurs and is continuing, the principal of and interest on all the Notes will ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders of the Notes. Under certain circumstances, the Holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

In the event of any Event of Default specified in clause (6) above, such Event of Default and all consequences thereof (excluding any resulting payment default, other than as a result of the acceleration of the Notes) shall be annulled, waived and rescinded, automatically and without any action by the Trustee or the Holders of the Notes, if within 20 days after such Event of Default arose, (x) the Indebtedness or Guarantee that is the basis for such Event of Default has been discharged, (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured.

If an Event of Default occurs (and is not cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture, the Notes or the Subsidiary Guarantees at the request or direction of any of the Holders of the Notes unless such Holders have offered to the Trustee indemnity or security reasonably satisfactory to it against any loss, liability or expense and then only to the extent required by the Indenture. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security or indemnity reasonably satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt thereof and the offer of security or indemnity; and

(5) Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture, the Notes and the Subsidiary Guarantees or that the Trustee determines is unduly prejudicial to the rights of any other Holder of a Note or that would involve the Trustee in personal liability.

If a Default occurs, is continuing and is known to the Trustee, the Trustee must send to each Holder of the Notes notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of principal of or interest on any Note, the Trustee may withhold notice if and so long as a committee of its Trust Officers in good faith determines that withholding notice is not opposed to the interest of the Holders of the Notes. In addition, we are required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. We are required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event which would constitute certain Defaults, their status and what action we are taking or propose to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions, the Indenture and the Notes may be amended with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange for the Notes) and any past default or compliance with any provisions may also be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding. However, without the consent of each Holder of an outstanding Note affected thereby, an amendment or waiver may not:

(1) reduce the amount of Notes whose Holders must consent to an amendment;

(2) reduce the rate of or extend the time for payment of interest on any Note;

(3) reduce the principal of or change the Stated Maturity of any Note;

(4) change the provisions applicable to the redemption of any Note as described under Optional Redemption above;

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any Holder of the Notes to receive payment of principal of and interest on such Holder s Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder s Notes;

(7) make any change in the amendment provisions which require each Holder s consent or in the waiver provisions;

(8) make any change in the ranking or priority of any Note that would adversely affect the Holders of the Notes; or

(9) make any change in, or release other than in accordance with the Indenture, any Subsidiary Guarantee that would adversely affect the Holders of the Notes.

For the avoidance of doubt, clause (4) and clause (6) above do not apply to Certain Covenants Limitation on Sales of Assets and Subsidiary Stock and Change of Control, and amendments of such provisions and payments required thereunder shall be governed by the first sentence of the preceding paragraph.

Notwithstanding the preceding, without the consent of any Holder of the Notes, the Company, the Subsidiary Guarantors and Trustee may amend the Indenture and the Notes:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to provide for the assumption by a successor corporation of the obligations of the Company or any Subsidiary Guarantor under the Indenture;

(3) to provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code);

(4) to add Guarantees with respect to the Notes, including any Subsidiary Guarantee, or to secure the Notes;

(5) to add to the covenants of the Company or any Subsidiary Guarantor for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Company or any Subsidiary Guarantor;

(6) to make any change that does not adversely affect the rights of any Holder of the Notes;

(7) to comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act;

(8) to conform the text of the Indenture, the Notes or any Subsidiary Guarantee to any provision of the Description of the notes section of the offering memorandum dated May 23, 2016, relating to the issuance of the Initial Notes to the extent that such provision in such Description of the notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes or such Subsidiary Guarantee; or

(9) to make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes; provided, however, that (a) compliance with the Indenture as so amended would not result in Notes being transferred in violation of the Securities Act or any other applicable securities law and (b) such amendment does not materially and adversely affect the rights of Holders to transfer Notes.

The consent of the Holders of the Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

After an amendment under the Indenture becomes effective, we are required to send to Holders of the Notes a notice briefly describing such amendment. However, the failure to give such notice to all Holders of the Notes, or any defect therein, will not impair or affect the validity of the amendment.

Transfer

The New Notes were, and the Exchange Notes will be, issued in registered form and each will be transferable only upon the surrender of the Notes being transferred for registration of transfer. We may require payment of a sum sufficient to cover any tax, assessment or other governmental charge payable in connection with certain transfers and exchanges.

Satisfaction and Discharge

When (1) we deliver to the Trustee all outstanding Notes for cancelation, (2) all outstanding Notes have become due and payable, whether at maturity or on a redemption date as a result of the sending of notice of redemption or (3) all outstanding Notes not theretofore delivered for cancellation will become due and payable within one year at their Stated Maturity or are to be called for redemption within one year, and, in the case of clause (2) or clause (3), we irrevocably deposit with the Trustee funds sufficient to pay at maturity or upon redemption all outstanding Notes, including interest thereon to maturity or such redemption date, and if in either case we pay all other sums payable under the Indenture by us, then the Indenture shall, subject to certain exceptions, cease to be of further effect.

Defeasance

At any time, we may terminate all our obligations under the Notes and the Indenture (legal defeasance), except for certain obligations, including those respecting the defeasance trust and obligations to register the

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transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes.

In addition, at any time we may terminate our obligations under Change of Control and under the covenants described under Certain Covenants (other than the covenant described under Merger and Consolidation), the operation of the cross acceleration provision, the bankruptcy provisions with respect to Significant Subsidiaries and Subsidiary Guarantors and the judgment default provision described under Defaults above and the limitations contained in clause (3) of the first paragraph under Certain Covenants Merger and Consolidation above (covenant defeasance).

We may exercise our legal defeasance option notwithstanding our prior exercise of our covenant defeasance option. If we exercise our legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect thereto. If we exercise our covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clause (4), (5), (6), (7) (with respect only to Significant Subsidiaries and Subsidiary Guarantors), (8) or (9) under Defaults above or because of the failure of the Company to comply with clause (3) of the first paragraph under Certain Covenants Merger and Consolidation above. If we exercise our legal defeasance option or our covenant defeasance option, each Subsidiary Guarantor will be released from all of its obligations with respect to its Subsidiary Guarantee.

In order to exercise either of our defeasance options, we must irrevocably deposit in trust (the defeasance trust) with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel to the effect that Holders of the Notes will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and defeasance and will be subject to Federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and, in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable Federal income tax law).

Concerning the Trustee

U.S. Bank National Association is the Trustee under the Indenture and has been appointed as Registrar and Paying Agent with regard to the Notes.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee is permitted to engage in other transactions; provided, however, if it acquires any conflicting interest it must either eliminate such conflict within 90 days, apply to the SEC for permission to continue or resign.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee or stockholder of the Company or any Subsidiary Guarantor will have any liability for any obligations of the Company or any Subsidiary Guarantor under the Notes, any Subsidiary Guarantee or the Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder of the Notes by accepting a Note waived and released all such liability. The waiver and release were part of the consideration for issuance of the Notes. Such waiver and release may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

Governing Law

The Indenture and the Notes are governed by, and the Exchange Notes will be governed by, and construed in accordance with, the laws of the State of New York.

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Certain Definitions

Acquired Indebtedness means, with respect to any specified Person, Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person.

Additional Assets means:

(1) any property, plant or equipment used or useful in a Related Business;

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary; provided, however, that any such Restricted Subsidiary described in clause (2) or (3) above is primarily engaged in a Related Business.

Adjusted Treasury Rate means, with respect to any redemption date, (i) the yield, under the heading that represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) (or any successor publication published weekly by the Board of Governors of the Federal Reserve System that establishes yields on actively traded United States Treasury securities adjusted to constant maturity) under the caption Treasury Constant Maturities (or similar caption), for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after June 1, 2019, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date, plus 0.50%.

Affiliate of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, control when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms controlling and controlled have meanings correlative to the foregoing.

Aggregate Related Business means any Related Business operating in the aggregate products segment. For the purposes of this definition, aggregate means the raw material used in the production of ready-mixed concrete.

Applicable Premium means with respect to a Note at any redemption date the excess of (if any) (A) the present value at such redemption date of (1) the redemption price of such Note on June 1, 2019 (such redemption price being described in the second paragraph in the Optional redemption section exclusive of any accrued interest) plus (2) all required remaining scheduled interest payments due on such Note through June 1, 2019 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate, over (B) the principal amount of such Note on such redemption date, in each case, as calculated by the Company or on behalf of the Company by such Person as the Company shall designate.

Application Period means the 365 days after the receipt of any Net Cash Proceeds of any Asset Disposition.

Asset Disposition means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any such transaction by means

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of a merger, consolidation or similar transaction and including an issuance of Capital Stock by a Restricted Subsidiary (each referred to for the purposes of this definition as a disposition), of:

(1) any shares of Capital Stock of a Restricted Subsidiary (other than directors qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary);

(2) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary; or

(3) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary,

other than, in the case of clauses (1), (2) and (3) above,

(A) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(B) for purposes of the covenant described under Certain Covenants Limitation on Sales of Assets and Subsidiary Stock only, (x) a disposition that constitutes a Restricted Payment (or would constitute a Restricted Payment but for the exclusions from the definition thereof and its component definitions) and that is not prohibited by the covenant described under Certain Covenants Limitation on Restricted Payments and (y) a disposition of all or substantially all the assets of the Company in accordance with the covenant described under Certain Covenants Merger and Consolidation ;

(C) a disposition of assets with a Fair Market Value of less than $10.0 million;

(D) a disposition of cash or Temporary Cash Investments;

(E) the creation of a Lien (but not the sale or other disposition of the property subject to such Lien);

(F) the sale or discount, in each case without recourse, of accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof;

(G) disposals or replacements of obsolete, worn out, uneconomical or surplus property or equipment;

(H)

whether or not allowable under Section 1031 of the Code, any trade or exchange of assets for Additional Assets; provided, however, that an amount equal to the amount of Net Available Cash, if any, received by the Company or any Restricted Subsidiary from such transaction must be applied in accordance with Certain Covenants Limitation on Sales of Assets and Subsidiary Stock ;

(I) the unwinding of any Hedging Obligations;

(J) any sale and leaseback transactions permitted by the Indenture;

(K) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind, in each case, in the ordinary course of business;

(L) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases or subleases of other property, in each case, in the ordinary course of business which do not materially interfere with the business of the Company and its Restricted Subsidiaries;

(M) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivables that arose in the ordinary course of business for collection;

(N) a disposition of property pursuant to foreclosure, condemnation or eminent domain (or deed in lieu thereof) or any similar action; provided, however, that an amount equal to the amount of Net Available Cash from such disposition must be applied in accordance with Certain Covenants Limitation on Sales of Assets and Subsidiary Stock ; and

(O) any disposition of Capital Stock in, or Indebtedness or other securities of, an Unrestricted Subsidiary.

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Attributable Debt in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/ Leaseback Transaction (including any period for which such lease has been extended); provided, however, that if such Sale/Leaseback Transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of Capital Lease Obligation.

Average Life means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing:

(1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of or redemption or similar payment with respect to such Indebtedness multiplied by the amount of such payment by

(2) the sum of all such payments.

Board of Directors means the board of directors of the Company or any committee thereof duly authorized to act on behalf of such board of directors or, in the case of a Person that is not a corporation, the group exercising the authority generally vested in a board of directors of a corporation.

Borrowing Base means, on any date of determination, an amount equal to the sum, without duplication, of:

(a) 90% of the face amount of accounts receivable of the Company and its Restricted Subsidiaries, plus

(b) 70% of the book value of inventory of the Company and its Restricted Subsidiaries, plus

(c) the sum of (w) 85% of the net orderly liquidation value of trucks of the Company and its Restricted Subsidiaries as of the latest date on which the administrative agent under any Credit Facility has received an appraisal calculating the net orderly liquidation value of such trucks (the Truck Appraisal Date), plus (x) 80% of the cost of trucks of the Company and its Restricted Subsidiaries acquired since the Truck Appraisal Date, minus (y) 85% of the net orderly liquidation value of trucks of the Company and its Restricted Subsidiaries that have been sold since the Truck Appraisal Date, minus (z) 85% of the depreciation amount applicable to trucks of the Company and its Restricted Subsidiaries, provided that the trucks included in any calculation under this clause (c) shall include only those trucks that are eligible to be included in a borrowing base calculation under a Credit Facility, plus

(d) the sum of (x) 85% of the net orderly liquidation value of bulldozers, trailers, haul trucks, loaders, excavators, earth moving equipment and related wheeled and/or tracked equipment (other than trucks included under clause (c) above) of the Company and its Restricted Subsidiaries (collectively, the Machinery) as of the latest date on which the administrative agent under any Credit Facility has received an appraisal calculating the net orderly liquidation value of the Machinery (the Machinery Appraisal Date), minus (y) 85% of the net orderly liquidation value of the Machinery that has been sold since the Machinery Appraisal Date, minus (z) 85% of the depreciation amount applicable to the Machinery of the Company and its Restricted Subsidiaries, provided that the Machinery included in any calculation under this clause (d) shall include only the Machinery that is eligible to be included in a borrowing base calculation under a Credit Facility, plus

(e) 90% of the book value of aggregates reserves of the Company and its Restricted Subsidiaries,
in each case of clauses (a) through (e) above, determined using the most recent information available as of the last day of the most recent fiscal quarter of the Company for which financial statements are available.

Business Day means each day which is not a Legal Holiday.

Capital Lease Obligation means an obligation that is required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness

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represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. For purposes of the covenant described under Certain Covenants Limitation on Liens, a Capital Lease Obligation will be deemed to be secured by a Lien on the property being leased.

Capital Stock of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

Code means the Internal Revenue Code of 1986, as amended.

Commodity Agreement means any commodity swap or any other similar agreement for the purposes of protecting against or managing exposure to fluctuations in commodity prices.

Comparable Treasury Issue means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes from the redemption date to June 1, 2019, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to June 1, 2019.

Comparable Treasury Price means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Trustee, Reference Treasury Dealer Quotations for such redemption date.

Consolidated Coverage Ratio as of any date of determination means the ratio of (x) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters for which financial statements of the Company are available to (y) Consolidated Interest Expense for such four fiscal quarters; provided, however, that:

(1) if the Company or any Restricted Subsidiary has Incurred any Indebtedness since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, or both, then EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period;

(2) if the Company or any Restricted Subsidiary has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been or is to be permanently repaid and the related commitment terminated and not replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Coverage Ratio, then EBITDA and Consolidated Interest Expense for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Company or such Restricted Subsidiary had not earned the interest income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness;

(3) if, since the beginning of such period, the Company or any Restricted Subsidiary shall have made any Asset Disposition, then EBITDA for such period shall be reduced by an amount equal to the EBITDA (if positive) directly attributable to the assets that were the subject of such Asset Disposition for such period, or increased by an amount equal to the EBITDA (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the

Company and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(4) if, since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, then EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition had occurred on the first day of such period; and

(5) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition, any Investment or acquisition of assets that would have required an adjustment pursuant to clause (3) or (4) above if made by the Company or a Restricted Subsidiary during such period, then EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition had occurred on the first day of such period.

For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting Officer of the Company. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness, but if the remaining term of such Interest Rate Agreement is less than 12 months, then such Interest Rate Agreement shall only be taken into account for that portion of the period equal to the remaining term thereof). If any Indebtedness that is being given pro forma effect bears an interest rate at the option of the Company, the interest rate shall be calculated by applying such optional rate chosen by the Company. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a Eurocurrency interbank rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Company may designate. If any Indebtedness is incurred under a revolving credit facility and is being given pro forma effect, the interest on such Indebtedness shall be calculated based on the average daily balance of such Indebtedness for the four fiscal quarters subject to the pro forma calculation to the extent that such Indebtedness was incurred solely for working capital purposes.

Consolidated Current Liabilities as of the date of determination means the aggregate amount of liabilities of the Company and its consolidated Restricted Subsidiaries which may properly be classified as current liabilities (including taxes accrued as estimated), on a consolidated basis, after eliminating:

(1) all intercompany items between the Company and any Restricted Subsidiary;

(2) all current maturities of long-term Indebtedness, all as determined in accordance with GAAP consistently applied; and

(3) any liabilities resulting from mark to market requirement of any derivative security.

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Consolidated Interest Expense means, for any period, the total interest expense (less interest income) of the Company and its consolidated Restricted Subsidiaries, plus, to the extent not included in such total interest expense, and to the extent incurred by the Company or its Restricted Subsidiaries, without duplication:

(1) interest expense attributable to Capital Lease Obligations, the interest portion of rent expense associated with Attributable Debt in respect of the relevant lease giving rise thereto, determined as if such lease were a capitalized lease in accordance with GAAP, and the interest component of any deferred payment obligations;

(2) amortization of debt discount (including the amortization of original issue discount resulting from the issuance of Indebtedness at less than par) and debt issuance cost; provided, however, that any amortization of bond premium will be credited to reduce Consolidated Interest Expense unless, pursuant to GAAP, such amortization of bond premium has otherwise reduced Consolidated Interest Expense;

(3) capitalized interest;

(4) non-cash interest expense; provided, however, that any non-cash interest expense or income attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments pursuant to GAAP shall be excluded from the calculation of Consolidated Interest Expense);

(5) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers acceptance financing;

(6) net payments pursuant to Hedging Obligations;

(7) the product of (a) all dividends accrued in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, in each case, held by Persons other than the Company or a Restricted Subsidiary (other than dividends payable solely in Capital Stock (other than Disqualified Stock) of the Company), times (b) a fraction, the numerator of which is one and the denominator of which is one minus the effective combined tax rate of the issuer of such Disqualified Stock or Preferred Stock (expressed as a decimal) for such period (as estimated by the chief financial officer of the Company in good faith);

(8) interest incurred in connection with Investments in discontinued operations;

(9) interest accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by (or secured by a Lien on the assets of) the Company or any Restricted Subsidiary; and

(10) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Indebtedness Incurred by such plan or trust.

Consolidated Net Income means, for any period, the net income of the Company and its consolidated Subsidiaries; provided, however, that there shall not be included in such Consolidated Net Income:

(1) any net income of any Person (other than the Company) if such Person is not a Restricted Subsidiary, except that:

(A) subject to the exclusion contained in clause (4) below, the Company s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(B) the Company s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income;

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(2) any net income (or loss) of any Person acquired by the Company or a Subsidiary in a pooling of interests transaction (or any transaction accounted for in a manner similar to a pooling of interests) for any period prior to the date of such acquisition;

(3) any net income of any Restricted Subsidiary if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company, except that:

(A) subject to the exclusion contained in clause (4) below, the Company s equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to another Restricted Subsidiary, to the limitation contained in this clause); and

(B) the Company s equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income;

(4) any net after-tax gain (or loss) realized upon the sale or other disposition of any assets of the Company, its consolidated Subsidiaries or any other Person (including pursuant to any sale-and-leaseback arrangement) which are not sold or otherwise disposed of in the ordinary course of business and any net after-tax gain (or loss) realized upon the sale or other disposition of any Capital Stock of any Person;

(5) net after-tax extraordinary gains or losses and net after-tax nonrecurring or unusual noncash gains or charges;

(6) the cumulative effect of a change in accounting principles;

(7) any net after-tax gain (or loss) attributable to the early retirement or conversion of Indebtedness;

(8) any unrealized non-cash gains or losses or charges in respect of Hedging Obligations (including those resulting from the application of ASC 815);

(9) any non-cash charges or other noncash expenses or charges arising from any grant of or issuance or repricing of Capital Stock or other equity-based awards or any amendment or substitution of any such Capital Stock or other equity-based awards;

(10)

any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to the extinguishment of Indebtedness, Hedging Obligations or other derivative instruments entered in relation to the Indebtedness extinguished;

(11) any gain or loss resulting from mark-to-market requirement of any derivative security, including warrants;

(12) any net after-tax gain or loss from disposed or discontinued operations or disposal of discontinued operations;

(13) gains and losses due solely to fluctuations in currency values and the related tax effects according to GAAP;

(14) any expenses or reserves for liabilities to the extent that the Company or any Restricted Subsidiary is entitled to indemnification therefor under binding agreements; provided that any liabilities for which the Company or such Restricted Subsidiary is not actually indemnified shall reduce Consolidated Net Income in the period in which it is determined that the Company or such Restricted Subsidiary will not be indemnified;

(15) any restoration to income of any contingency reserve, except to the extent that provisions for such reserve was made out of Consolidated Net Income accrued at any time following the Initial Notes Issue Date; and

(16) any charges or credits relating to the adoption of fresh start accounting principles;

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(in millions)	Pawn Service Charges	Merchandise Sales Gross Profit	Total
Same stores	$ 4.2	$ 1.7	$ 5.9
New stores and other	0.7	0.4	1.1
Total	$ 4.9	$ 2.1	$ 7.0

Change in jewelry scrapping sales gross profit and other revenues

0.4

Total change in net revenue

$
7.4

Pawn service charges were up 9% (15% on a constant currency basis) primarily as a result of same store loan growth, with an increased average ending monthly pawn loan balance outstanding during the current year of 6% (11% on a constant currency basis), driven by continued intense focus on market leadership in meeting our customers' desire for cash, offset by foreign currency impacts.
Merchandise sales were up 4% (12% on a constant currency basis), with gross margin on merchandise sales of 32%, consistent with the prior year. As a result of the combination of these effects, offset by foreign currency impacts, merchandise sales gross profit was up 3% to $19.9 million (11% to $21.4 million on a constant currency basis).
We leveraged a 7% increase in net revenue (14% on a constant currency basis) into a 59% increase in segment operating contribution (69% on a constant currency basis) due to focused expense management, despite absorbing start-up costs from de novo stores. After a $3.9 million improvement in other segment income, primarily interest income and foreign currency impacts, segment contribution increased 119% (130% on a constant currency basis) to $18.7 million ($19.6 million on a constant currency basis).
Segment expenses decreased by $6.5 million ($3.7 million on a constant currency basis) primarily due to:

- A $1.4 million decrease ($0.3 million on a constant currency basis) in labor costs largely due to foreign currency impacts;
- A $1.9 million increase in interest income as a result of our notes receivable from the sale of Grupo Finmart, including a $0.5 million gain as a result of the restructuring of the notes receivable in September 2017, combined with the ordinary accruals of interest and accretion of associated discounts;
- A $0.5 million decrease in restructuring charges as we have substantially completed all prior restructuring actions; and
- A $1.4 million decrease in foreign currency transaction losses; partially offset by
- $0.6 million in losses, net of insurance recoveries, associated with the riot related looting of 12 stores during our second fiscal quarter.

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Other International

The following table presents selected summary financial data from continuing operations for the Other International segment after translation to U.S. dollars from its reporting units' functional currencies of primarily Canadian and Australian dollars:

	Fiscal Year Ended September 30, 2017	Fiscal Year Ended September 30, 2016	Percentage Change
	(in thousands)		
Net revenues:			
Consumer loan fees and interest	$7,983	$8,769	(9)%
Consumer loan bad debt	(1,988)	(1,965)	1%
Other revenues, net	3	9	(67)%
Net revenues	5,998	6,813	(12)%
Segment operating (income) expenses:			
Operating expenses	8,639	7,803	11%
Equity in net (income) loss of unconsolidated affiliates	(4,916)	255	*
Segment operating income (loss)	2,275	(1,245)	*
Other segment expenses	(96)	11,165	*
Segment contribution (loss)	$2,371	$(12,410)	*

*Represents an increase or decrease that is not meaningful.

Segment contribution was $2.4 million, an increase of $14.8 million from the prior year primarily due to

- A $5.2 million increase in earnings from Cash Converters International as a result of improved operations and the completion of fiscal 2016 restructuring actions; and
- No impairments of our investment in Cash Converters International in fiscal 2017, compared to an $11.0 million impairment ($7.2 million, net of taxes) in fiscal 2016; offset by
- A $1.6 million increase in operating expenses due to further investment in the development of a digital IT platform that enables greater intimacy with our customers to drive future revenue enhancement.

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Other Items

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

	Fiscal Year Ended September 30, 2017	Fiscal Year Ended September 30, 2016	Percentage Change
	(in thousands)		
Segment contribution	$124,526	$96,154	30%
Corporate expenses (income):			
Administrative	53,254	68,101	(22)%
Depreciation and amortization	10,624	11,117	(4)%
Loss on sale or disposal of assets	27	269	(90)%
Restructuring	—	183	(100)%
Interest expense	27,794	16,243	71%
Interest income	(10,173)	(49)	*
Other income	(239)	(73)	227%
Income from continuing operations before income taxes	43,239	363	11,812%
Income tax expense	11,206	9,361	20%
Income (loss) from continuing operations, net of tax	32,033	(8,998)	*
Loss from discontinued operations, net of tax	(1,825)	(79,432)	(98)%
Net income (loss)	30,208	(88,430)	*
Net loss attributable to noncontrolling interest	(1,650)	(7,686)	(79)%
Net income (loss) attributable to EZCORP, Inc.	$31,858	$(80,744)	*

* Represents an increase or decrease that is not meaningful.

Administrative expenses decreased $14.8 million, or 22%, due primarily to:

- A $7.9 million decrease in business and professional fees due to completion of internal control remediation efforts in the prior year, inclusive of $0.8 million in acquisition-related costs below; and
- A $7.0 million decrease in labor costs including the impact of corporate headcount reductions; partially offset by
- $1.2 million in costs related to our acquisition of GPMX in October 2017.

Interest expense increased $11.6 million, or 71%, primarily as a result of our Term Loan Facility obtained in September 2016, including accruals of interest in addition to amortization of associated discounts and deferred financings costs. Included in interest expense is a loss on extinguishment of debt and other costs of $5.3 million as a result of retiring $35 million principal amount of 2019 Convertible Notes and the full Term Loan Facility in July 2017 using proceeds from our offering of 2024 Convertible Notes.

Interest income increased $10.1 million as a result of our notes receivable from the sale of Grupo Finmart including a $2.5 million gain in the U.S. as a result of the restructuring of the notes receivable in September 2017, in addition to ordinary accruals of interest and accretion of associated discounts.

Income taxes increased $1.8 million, or 20%, from a $9.4 million expense in the prior year to an $11.2 million expense in the current year. The overall increase in our tax expense was driven by an increase in our pre-tax earnings from $0.4 million in the prior year to $43.2 million in the current year. Income tax expense includes other items that do not necessarily correspond to pre-tax earnings and create volatility in our effective tax rate. These items include the impact of earnings and foreign tax credits from our equity investment in Cash Converters International, the net effect of state taxes, non-deductible items and changes in valuation allowances. In the current year, state tax expense decreased due to a decision to elect to file combined returns in certain states that allow combined filings where separate returns were previously filed. In addition, we recognized a partial reversal of our valuation allowance by realizing a portion of our capital loss carryforwards in connection with the restructuring of our Grupo Finmart notes receivable. See Note 10 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplemental Data” for quantification of these items.

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Fiscal 2016 vs. Fiscal 2015

Summary Financial Data

The following table presents selected summary consolidated financial data for our fiscal years ended September 30, 2016 and 2015. This table, as well as the discussion that follows, should be read with the consolidated financial statements and related notes included in “Part II, Item 8 — Financial Statements and Supplementary Data.”

	Fiscal Year Ended September 30,		Change
	2016	2015	
	(in thousands)		
Net revenues:			
Pawn service charges	$261,800	$247,204	6%
Merchandise sales	409,107	402,118	2%
Merchandise sales gross profit	150,836	134,329	12%
Gross margin on merchandise sales	37 %	33 %	400 bps
Jewelry scrapping sales	50,113	57,973	(14)%
Jewelry sales gross profit	8,074	11,907	(32)%
Gross margin on jewelry scrapping sales	16 %	21 %	(500) bps
Other revenues, net	7,520	9,580	(22)%
Net revenues	428,230	403,020	6%
Operating expenses	399,057	418,623	(5)%
Non-operating expenses	28,810	50,604	(43)%
Income (loss) from continuing operations before income taxes	363	(66,207)	*
Income tax expense (benefit)	9,361	(14,025)	*
Loss from continuing operations, net of tax	(8,998)	(52,182)	(83)%
Loss from discontinued operations, net of tax	(79,432)	(42,045)	89%
Net loss	(88,430)	(94,227)	(6)%
Net loss attributable to noncontrolling interest	(7,686)	(5,035)	53%
Net loss attributable to EZCORP, Inc.	$(80,744)	$(89,192)	(9)%
Net pawn earning assets:			
Pawn loans	$167,329	$159,964	5%
Inventory, net	140,224	124,084	13%
Total net pawn earning assets	$307,553	$284,048	8%

* Represents an increase or decrease in excess of 100% or not meaningful.

Total revenues for fiscal 2016 were $730.5 million compared to $720.0 million for fiscal 2015. Excluding jewelry scrapping sales, total revenues increased $18.4 million, driven by increased merchandise sales and pawn service charge growth.

Total operating expenses decreased from $418.6 million in fiscal 2015 to $399.1 million in fiscal 2016. This $19.6 million, or 5%, decrease was primarily due to:

- A $15.2 million decrease in restructuring expense from our fiscal 2015 restructuring plan aimed to streamline our structure and operating model to improve overall efficiency and reduce costs;
- A $4.9 million decrease in administrative expense due primarily to a $3.6 million decrease in salaries and related costs, a $3.4 million decrease in litigation and related costs and $5.8 million in various other individually small reductions in corporate costs as we continued to work towards corporate overhead reduction goals, offset by a $8.0

million increase in short-term and long-term incentive programs. Administrative expenses include $4.2 million of fiscal 2015 restatement related expenses recorded in fiscal 2016;

- A $4.4 million decrease in depreciation and amortization expense as a result of ongoing savings realized from a lower depreciable fixed asset base as a result of our strategic review completed in fiscal 2015; and
- A $1.6 million decrease in loss on sale or disposal of assets, due to a reduction in asset disposals in fiscal 2016; partially offset by
- A $6.4 million increase in operations expense primarily as a result of staffing enhancements, increased participation in incentive compensation plans in our field organization and an increase in short-term and long-term incentive programs, as well as costs associated with new stores acquired. The largest component of this increase, which was offset by other items, was increased bonuses due to the substantial improvement in U.S. and Mexico Pawn operating results in fiscal 2016 as compared to fiscal 2015.

Total non-operating expenses increased $21.8 million from fiscal 2015. This decrease was primarily due to:

- Impairment of our investment in Cash Converters International in fiscal 2016 in the amount of $11.0 million ($7.2 million, net of taxes), as compared to an impairment of our investment in fiscal 2015 in the amount of $26.8 million ($17.4 million, net of taxes);
- A $5.2 million decrease in loss from our unconsolidated affiliate due to improvement in performance of Cash Converters International; and
- A $1.0 million decrease in other expense primarily due to net foreign currency transaction losses in fiscal 2016 as a result of movement in exchange rates affecting the revaluation of intercompany amounts and foreign currency debt outstanding.

Income tax expense increased $23.4 million, from a $14.0 million benefit in the prior year to a $9.4 million expense in the current year, primarily due to the $66.6 million decrease in loss from continuing operations before income taxes. Income tax expense includes other items that do not necessarily correspond to pre-tax earnings and create volatility in our effective tax rate. These items include the impact of earnings and foreign tax credits from our equity investment in Cash Converters International, the net effect of state taxes, non-deductible items and changes in valuation allowances for certain foreign operations. See Note 10 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplemental Data” for quantification of these items.

Loss from discontinued operations in fiscal 2015 and 2016 was primarily comprised of Grupo Finmart and USFS as further discussed in Note 16 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.” Loss from discontinued operations, net of tax increased $37.4 million from fiscal 2015 primarily due to the following in addition to the income tax effects thereon:

- A $26.7 million decrease in net revenues from Grupo Finmart from fiscal 2015 of as a result of delays in collections and other factors; and
- A $73.2 million impairment of Grupo Finmart goodwill in fiscal 2016; partially offset by
- A $34.2 million gain on disposition of Grupo Finmart in fiscal 2016; and
- $42.4 million in fiscal 2015 charges related to exiting USFS.

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U.S. Pawn

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

	Fiscal Year Ended September 30, 2016	2015	Change
	(in thousands)		
Net revenues:			
Pawn service charges	$229,893	$216,211	6%
Merchandise sales	348,771	334,635	4%
Merchandise sales gross profit	131,503	115,682	14%
Gross margin on merchandise sales	38 %	35 %	300 bps
Jewelry scrapping sales	47,810	54,343	(12)%
Jewelry scrapping sales gross profit	7,672	11,498	(33)%
Gross margin on jewelry scrapping sales	16 %	21 %	(500) bps
Other revenues, net	331	945	(65)%
Net revenues	369,399	344,336	7%
Segment operating expenses:			
Operations	255,321	244,232	5%
Depreciation and amortization	12,242	15,227	(20)%
Segment operating contribution	101,836	84,877	20%
Other segment expenses	1,780	5,029	(65)%
Segment contribution	$100,056	$79,848	25%
Other data:			
Net earning assets — continuing operations (a)	$270,974	$251,068	8%
Inventory turnover	2.2	2.5	(0.3)x
Average monthly ending pawn loan balance per store (b)	$270	$252	7%
Monthly average yield on pawn loans outstanding	14 %	14 %	—
Pawn loan redemption rate (c)	84 %	84 %	—

* Represents an increase or decrease that is not meaningful.

(a) Balance includes pawn loans and inventory.

(b) Balance is calculated based on the average of the monthly ending balance averages during the applicable period.

(c) Our pawn loan redemption rate represents the percentage of loans made that are repaid, renewed or extended at a point in time as opposed to the life of the loan.

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Net revenue increased 7% ($25.1 million), with core pawn revenue increasing $27.8 million, or 5%, from fiscal 2015. The increase in net revenue attributable to same stores and new stores added during fiscal 2016 is summarized as follows:

	Change in Net Revenue		
	Pawn Service Charges	Merchandise Sales Gross Profit	Total
	(in millions)		
Same stores	$9.5	$ 11.8	$21.3
New stores and other	4.2	4.0	8.2
Total	$13.7	$ 15.8	$29.5
Change in jewelry scrapping sales gross profit and other revenues			(4.4)
Total change in net revenue			$25.1

Pawn service charges increased 6%, with the monthly average yield remaining consistent at 14%, offset by the increase in average monthly ending pawn loans outstanding of 7% due to continued focus on customer experience.

Gross margin on merchandise sales increased to 38% from 35% in fiscal 2015 as a result of improved execution in disposing of aged inventory, as well as ongoing discipline in pawn loan valuation and retail pricing cadences. These positive operating developments drove an increase in merchandise sales gross profit of $15.8 million. We reduced total aged inventory (as a percentage of total inventory) to 8% from 10%. This reduction is primarily attributable to a reduction of aged jewelry inventory to 11% from 15% in the prior year, while our aged general merchandise inventory remained consistent at 5%.

Gross margin on jewelry scrapping sales decreased to 16% from 21%. Jewelry scrapping sales gross profit decreased to 2% of net revenues from 3% in the prior year primarily as a result of our strategy to sell rather than scrap jewelry during our peak selling season, as margins on scrapping are lower than those on sales.

Total segment expenses increased to $269.3 million (43% of revenues) in fiscal 2016 from $264.5 million (44% of revenues) in fiscal 2015 primarily due to:

- An $11.1 million, or 5%, net increase in operations expense primarily due to increased wages due to staffing enhancements and an increased participation in incentive compensation plans in our field organization to better serve and satisfy our customers amounting to $16.2 million, comprised of a $8.4 million increase in bonuses due to the substantial improvement in operating results in fiscal 2016 as compared to fiscal 2015 and a $7.8 million increase in salaries and related costs, in addition to costs associated with new stores acquired and other small items. The wage increases were partially offset by a $5.3 million reduction due to a fiscal 2015 impairment of long-lived intangible and fixed assets; partially offset by
- A $3.0 million, or 20%, decrease in depreciation and amortization expense as a result of savings realized from a lower depreciable fixed asset base as a result of our strategic review completed in fiscal 2015; and
- A $0.3 million decrease in restructuring costs pertaining to our restructuring plan initiated in the fourth quarter of our fiscal 2015.

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Mexico Pawn

The following table presents selected summary financial data from continuing operations for the Mexico Pawn segment, including constant currency results, after translation to U.S. dollars from its functional currency of the Mexican peso. See "Results of Operations — Non-GAAP Financial Information" above.

	Fiscal Year Ended September 30,							
	2016 (GAAP)		2015 (GAAP)		Change (GAAP)	2016 (Constant Currency)		Change (Constant Currency)
	(in thousands)					(in thousands)		
Net revenues:								
Pawn service charges	$31,907		$30,993		3%	$37,824		22%
Merchandise sales	60,331		65,408		(8)%	71,518		9%
Merchandise sales gross profit	19,329		18,037		7%	22,913		27%
Gross margin on merchandise sales	32	%	28	%	400 bps	32	%	400 bps
Jewelry scrapping sales	2,282		3,267		(30)%	2,705		(17)%
Jewelry scrapping sales gross profit	397		313		27%	470		50%
Gross margin on jewelry scrapping sales	17	%	10	%	700 bps	17	%	700 bps
Other revenues	385		1,021		(62)%	456		(55)%
Net revenues	52,018		50,364		3%	61,663		22%
Segment operating expenses:								
Operations	38,481		43,927		(12)%	45,617		4%
Depreciation and amortization	2,965		4,440		(33)%	3,515		(21)%
Segment operating contribution	10,572		1,997		429%	12,531		527%
Other segment expenses (a)	2,064		2,982		(31)%	907		(70)%
Segment contribution (loss)	$8,508		$(985	)	*	$11,624		*
Other data:								
Net earning assets — continuing operations (b)	$36,576		$32,966		11%	$41,496		26%
Inventory turnover	2.5		2.7		(0.2)x	2.5		(0.2)x
Average monthly ending total pawn loan balances per store (c)	$70		$65		8%	$82		26%
Monthly average yield on pawn loans outstanding	16	%	16	%	—	16	%	—
Pawn loan redemption rate (d)	78	%	77	%	100 bps	78	%	100 bps

* Represents an increase or decrease that is not meaningful.

(a) Fiscal 2016 constant currency

amount excludes $1.3 million of net GAAP basis foreign currency transaction losses resulting from movement in exchange rates. The net foreign currency transaction losses for fiscal 2015 were $2.0 million and are not excluded from the above results.

(b) Balance includes pawn loans and inventory.

(c) Balance is calculated based on the average of the monthly ending balance averages during the applicable period.

(d) Our pawn loan redemption rate represents the percentage of loans made that are repaid, renewed or extended at a point in time as opposed to the life of the loan.

Our Mexico Pawn operations continued to grow significantly, with the positive constant currency results largely offset by changes in foreign currency exchange rates. Core pawn revenue decreased $4.2 million, or 4%, on a GAAP basis, but increased $12.9 million, or 13%, on a constant currency basis. The change in net revenue attributable to same store and new

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stores added since fiscal 2015 is summarized as follows:

	Change in Net Revenue		
	Pawn Service Charges	Merchandise Sales Gross Profit	Total
	(in millions)		
Same stores	$1.1	$ 2.2	$3.3
New stores and other	(0.2)	(0.9)	(1.1)
Total	$0.9	$ 1.3	$2.2
Change in jewelry scrapping sales gross profit and other revenues			(0.5)
Total change in net revenue			$1.7

	Change in Net Revenue (Constant Currency)		
	Pawn Service Charges	Merchandise Sales Gross Profit	Total
	(in millions)		
Same stores	$6.4	$ 6.0	$12.4
New stores and other	0.4	(1.1)	(0.7)
Total	$6.8	$ 4.9	$11.7
Change in jewelry scrapping sales gross profit and other revenues			(0.4)
Total change in net revenue			$11.3

Pawn service charges increased 3% (22% on a constant currency basis) primarily as a result of continued focus on pawn loan growth. The average monthly ending pawn loan balances outstanding increased 8% (26% on a constant currency basis) from fiscal 2015.

Gross margin on merchandise sales increased to 32% from 28% in fiscal 2015 as a result of improved execution in disposing of aged inventory from the prior year, as well as ongoing discipline in pawn loan valuation and retail pricing cadences. These positive operating developments drove an increase in merchandise sales gross profit of $1.3 million ($4.9 million increase on a constant currency basis).

Total segment expenses in fiscal 2016 were $43.5 million or 46% of revenues ($50.0 million or 44% of revenues on a constant currency basis), compared to $51.3 million (51% of revenues) in fiscal 2015. The changes were primarily due to:

- A $1.9 million decrease ($0.7 million increase on a constant currency basis) in operations expense due to staffing realignments and an increased participation in incentive compensation plans due to the substantial improvement in operating results in fiscal 2016 as compared to fiscal 2015;
- A $1.8 million decrease in rent expense primarily due to currency impacts ($0.1 million in constant currency);
- A $1.4 million decrease in impairment charges from fiscal 2015 on both a GAAP and constant currency basis;
- A $1.5 million decrease in depreciation and amortization ($0.9 million on a constant currency basis) expense as a result of ongoing savings realized from a lower depreciable fixed asset base as a result of our strategic review completed in fiscal 2015; and
- A $1.1 million decrease in licenses and fees on both a GAAP and constant currency basis in addition to other smaller items and additional foreign currency impacts.

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Other International

The following table presents selected summary financial data from continuing operations for the Other International segment after translation to U.S. dollars from its reporting units' functional currencies of primarily Canadian and Australian dollars:

	Fiscal Year Ended September 30, 2016	Fiscal Year Ended September 30, 2015	Percentage Change
	(in thousands)		
Net revenues:			
Consumer loan fees and interest	$8,769	$10,739	(18)%
Consumer loan bad debt	(1,965)	(3,125)	(37)%
Other revenues, net	9	706	(99)%
Net revenues	6,813	8,320	(18)%
Segment operating expenses:			
Operating expenses	7,803	7,396	6%
Equity in net loss of unconsolidated affiliates	255	5,473	(95)%
Segment operating loss	(1,245)	(4,549)	(73)%
Other segment expenses	11,165	29,406	(62)%
Segment loss	$(12,410)	$(33,955)	(63)%

*Represents an increase or decrease that is not meaningful.

Segment loss from the Other International segment was $12.4 million, a decrease of $21.5 million, or 63%, from fiscal 2015. This decrease was primarily due to:

- A $15.9 million decrease in impairment of investments due to the fiscal 2016 impairment of our investment in Cash Converters International in the amount of $11.0 million ($7.2 million, net of taxes) as compared to the fiscal 2015 impairment of $26.8 million ($17.4 million, net of taxes);
- A $5.2 million decrease in loss from our unconsolidated affiliate. The loss of $0.3 million presented above for fiscal 2016 includes pre-tax charges totaling $11.8 million including restructuring costs, compliance provision and other, translated using applicable exchange rates in effect for EZCORP's year ended September 30, 2016;
- A $2.4 million decrease in restructuring costs due to substantial costs in the prior-year pertaining to our fiscal 2015 restructuring plan initiated in the fourth quarter of our fiscal 2015, which included the closure of 12 underperforming Canadian Cash Converters stores during fiscal 2015; partially offset by
- A $1.5 million decrease in segment net revenues due partially to wind down of certain Canadian operations; and
- A $0.4 million increase in segment operating expenses as a result of $2.6 million invested in building an IT marketing platform to provide targeted solutions for our pawn customers, offset by a $2.2 million overall decrease in expenses associated with the wind down of certain Canadian operations.

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Other Items

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

	Fiscal Year Ended September 30,		Percentage Change
	2016	2015	
	(in thousands)		
Segment contribution	$96,154	$44,908	114%
Corporate expenses (income):			
Administrative	68,101	72,986	(7)%
Depreciation and amortization	11,117	10,676	4%
Loss on sale or disposal of assets	269	1,407	(81)%
Restructuring	183	9,702	(98)%
Interest expense	16,243	16,310	—%
Interest income	(49)	(158)	(69)%
Other (income) expense	(73)	192	*
Income (loss) from continuing operations before income taxes	363	(66,207)	*
Income tax expense (benefit)	9,361	(14,025)	*
Loss from continuing operations, net of tax	(8,998)	(52,182)	(83)%
Loss from discontinued operations, net of tax	(79,432)	(42,045)	89%
Net loss	(88,430)	(94,227)	(6)%
Net loss attributable to noncontrolling interest	(7,686)	(5,035)	53%
Net loss income attributable to EZCORP, Inc.	$(80,744)	$(89,192)	(9)%

*Represents an increase or decrease that is not meaningful.

Net income from continuing operations before income taxes increased $66.6 million from fiscal 2015 to income of $0.4 million in fiscal 2016 primarily due to:

- A $51.2 million increase in segment contributions of $20.2 million, $21.5 million and $9.5 million from the U.S. Pawn, Other International and Mexico Pawn segments, respectively;
- A $9.5 million decrease in restructuring expense primarily due to restructuring actions initiated in prior fiscal years which have wound down; and
- A $4.9 million decrease in administrative expense due primarily to a $3.6 million decrease in salaries and related costs, a $3.4 million decrease in litigation and related costs and $5.8 million in various other individually small reductions in corporate costs, including a reduction in restatement related costs, offset by a $8.0 million increase in short-term and long-term incentive programs. Administrative expenses include $4.2 million of fiscal 2015 restatement related expenses recorded in fiscal 2016; partially offset by
- A $0.4 million increase in depreciation and amortization expense.

Income tax expense increased $23.4 million, from a $14.0 million benefit in the prior year to a $9.4 million expense in the current year, primarily due to the $66.6 million decrease in loss from continuing operations before income taxes. Income tax expense includes other items that do not necessarily correspond to pre-tax earnings and create volatility in our effective tax rate. These items include the impact of earnings and foreign tax credits from our equity investment in Cash Converters International, the net effect of state taxes, non-deductible items and changes in valuation allowances for certain foreign operations. See Note 10 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplemental Data” for quantification of these items.

Loss from discontinued operations in fiscal 2015 and 2016 was primarily comprised of Grupo Finmart and USFS as further discussed in Note 16 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.” Loss from discontinued operations, net of tax increased $37.4 million from fiscal 2015 primarily due to the following in addition to the income tax effects thereon:

- A $26.7 million decrease in net revenues from Grupo Finmart from fiscal 2015 of as a result of delays in collections and other factors; and
- A $73.2 million impairment of Grupo Finmart goodwill in fiscal 2016; partially offset by
- A $34.2 million gain on disposition of Grupo Finmart in fiscal 2016; and
- $42.4 million in fiscal 2015 charges related to exiting USFS.

Liquidity and Capital Resources

Cash Flows

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

	Fiscal Year Ended September 30, 2017	2016	Percentage Change
	(in thousands)		
Cash flows from operating activities	$51,836	$64,403	(20)%
Cash flows from investing activities	(7,255)	6,716	*
Cash flows from financing activities	53,351	(63,156)	*
Effect of exchange rate changes on cash and cash equivalents	724	(1,350)	*
Net increase in cash and cash equivalents	$98,656	$6,613	1,392%

* Represents an increase or decrease in excess of 100% or not meaningful.

Change in Cash and Cash Equivalents for Fiscal 2017 vs. Fiscal 2016

The decrease in cash flows from operating activities was primarily due to a $22.0 million smaller change in operating assets and liabilities, including $34.2 million received in March 2016 as a result of the carryback of fiscal 2015 tax net operating losses and a $2.2 million decrease in cash dividends received from our unconsolidated affiliate, offset by a $11.7 million increase in net income plus several non-cash items.

The decrease in cash flows from investing activities was primarily due to $35.3 million in net cash proceeds from disposition of Grupo Finmart in fiscal 2016, a $9.3 million increase in additions to property and equipment and a $2.6 million increase in net investments related to loan activities, offset by $29.5 million in principal collections from our Grupo Finmart notes receivable and a $3.8 million decrease in acquisitions, net of cash acquired.

The increase in cash flows from financing activities was primarily due to a $102.1 million increase in net borrowings including issuance of $143.8 million of new debt and retirement of $85 million of previously outstanding debt in July 2017 in addition to a $50 million term loan facility obtained in fiscal 2016 and debt associated with Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart") prior to its disposition in fiscal 2016, a $15.0 million payout of deferred consideration in fiscal 2016 and an $11.8 million repurchase of redeemable common stock in fiscal 2016, partially offset with various other decreases as a result of the disposition of Grupo Finmart in fiscal 2016.

The net effect of these and other smaller items was a $98.7 million increase in cash on hand during fiscal 2017, providing a $164.4 million ending cash balance.

As of September 30, 2017, our primary source of liquidity was $164.4 million in cash and cash equivalents and cash flows from operations. Of this amount, approximately 6%, or $10.6 million, was held by foreign subsidiaries and is not available to fund domestic operations, portions of which we may be unable to repatriate without incurring United States income taxes. Cash flows from discontinued operations are aggregated with cash flows from continuing operations in the statements of cash flows. Grupo Finmart cash flows are presented separately in Note 16 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data."

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Sources and Uses of Cash

Acquisition of GPMX in October 2017

On October 6, 2017, we completed the acquisition of GPMX, a business that owns and operates 112 stores located in Guatemala, El Salvador, Honduras and Peru. The GPMX acquisition significantly expands our store base into Latin American countries outside of Mexico and provides us with a platform for further growth in the region. We paid $53.4 million in cash upon closing, with an additional $2.25 million to be paid contingent upon performance of GPMX's business during the 24 months following the closing date. At the time of closing, GPMX owed $6.6 million in indebtedness to members of the seller's affiliated group, and under the terms of the stock purchase agreement, GPMX repaid such indebtedness during October 2017.

2.875% Convertible Senior Notes Due 2024

In July 2017, we issued $143.75 million aggregate principal amount of 2.875% Convertible Senior Notes Due 2024 (the "2024 Convertible Notes"). For a description of the terms of the 2024 Convertible Notes, see "2.875% Convertible Senior Notes Due 2024" in Note 8 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data." Net proceeds from the offering, after deducting discounts and expenses, were approximately $140 million and were used as follows:

- $51.6 million was used to pay all outstanding borrowings under, and to terminate, the Term Loan Facility described below;
- $34.4 million was used to repurchase and retire $35.0 million aggregate principal amount of 2.125% Cash Convertible Senior Notes Due 2019 (the "2019 Convertible Notes"), leaving $195 million aggregate principal amount of 2019 Convertible Notes outstanding; and
- The remaining $54 million was added to our cash balances and used for general corporate purposes, including the acquisition GPMX completed in October 2017.

In connection with the repurchase and retirement of 2019 Convertible Notes described above, we entered into agreements to unwind a portion of the note hedge and warrant transactions corresponding to the repurchased and retired 2019 Convertible Notes. We received $0.6 million in connection with the partial settlement of the note hedge transactions and paid $0.5 million in connection with the partial settlement of the warrant transactions. For additional information about the original note hedge and warrant transactions, see "2.125% Cash Convertible Senior Notes Due 2019" in Note 8 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data."

Sale of Grupo Finmart

In September 2016, we sold all of our equity interests (representing 93.78% of the total issued and outstanding equity interests) in Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart") to Alpha Holding, S.A. de C.V. ("AlphaCredit") for an adjusted purchase price of $40.9 million, 10% of which ($4.1 million) was paid into an escrow account pending resolution of indemnification claims and the remainder of which was paid in cash.

In connection with the sale, we paid a total of $31.1 million, including future interest payments and penalties, to existing Grupo Finmart lenders and stepped into the position of those lenders, including related collateral, and assumed the receivable from Grupo Finmart with no change in terms. All of this debt has been repaid to us through July 2017, including $6.2 million (principal of $5.3 million) received in July 2017 for early repayment of promissory notes that were originally scheduled to be repaid July 2017 through December 2017.

In connection with the sale, Grupo Finmart issued two promissory notes (the "Parent Loan Notes") to us in the aggregate principal amount of $60.2 million, one being denominated in U.S. dollars and bearing interest at the rate of 4% per annum and the other being denominated in Mexican pesos and bearing interest at 7.5% per annum. The Parent Loan Notes represented the aggregate amount of intercompany indebtedness owed to us by Grupo Finmart at the time of closing. As originally issued, the principal amount of the Parent Loan Notes was payable in three annual installments (30% on the first anniversary of the closing, 40% on the second anniversary of the closing and 30% on the third anniversary of the closing), and accrued interest was payable quarterly.

In September 2017, we and AlphaCredit amended the Parent Loan Notes (which at that time had an aggregate principal amount of $61.0 million due to exchange rate adjustments on the Mexican peso note) as follows:

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The outstanding principal amount (including the $18.3 million that would otherwise have been payable on September 27, 2017) will be payable on a monthly basis over the remaining two years, commencing October 27, 2017.

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- The per annum interest rate has been increased to 10% for the dollar-denominated note and 14.5% for the peso-denominated note. Accrued interest is also payable monthly, commencing October 27, 2017.
- We will receive an additional deferred compensation fee of $14 million, payable $6 million on September 27, 2019, $4 million on March 27, 2020 and $4 million on September 27, 2020.
- The Parent Loan Notes may be prepaid in full voluntarily at any time and are subject to mandatory prepayment in certain circumstances. Upon any prepayment, whether voluntary or mandatory, Grupo Finmart must pay all outstanding principal, all accrued but unpaid interest and an amount equal to the sum of (1) all remaining interest payments that would otherwise be due through the end of the term and (2) the deferred compensation fee. (If the prepayment occurs on or prior to June 30, 2019, the deferred compensation fee will be reduced to $10 million).
- The Parent Loan Notes, as amended, are now guaranteed by AlphaCredit.

As further consideration for these amendments, AlphaCredit agreed to terminate our indemnification obligations with respect to representations and warranties and certain other matters under the Purchase Agreement, dated as of July 1, 2016, that the parties entered into in connection with the sale (the “Purchase Agreement”). Those representations and warranties were originally scheduled to survive until March 27, 2018. AlphaCredit also agreed to terminate all indemnity claims existing at the time of the amendment and to release to us the outstanding balance ($4.1 million) held in escrow pending resolution of indemnification claims.

Term Loan Facility up to $100 Million

On September 12, 2016, we entered into a financing agreement with certain lenders and Fortress Credit Co LLC (as collateral and administrative agent) that provided us with a senior secured credit facility in an aggregate principal amount of up to $100 million (the “Term Loan Facility”). At that time, we drew down the initial term loan of $50 million, with $50 million remaining undrawn as a delayed draw term loan. Borrowings under the Term Loan Facility bore interest at an annual rate initially equal to the London Interbank Offered Rate (“LIBOR”) plus 7.5%, and we paid an additional monthly fee of 2.75% per annum on the unused delayed draw term loan and a quarterly loan servicing fee of $15,000.

As noted above, in July 2017, we used $51.6 million of net proceeds from the 2024 Convertible Notes offering to repay all outstanding borrowings under the Term Loan Facility and terminated that facility, including the undrawn delayed draw term loan commitment.

Other

In August 2017, we acquired assets related to two pawn stores in Central Texas and one pawn store in Las Vegas, Nevada, for an aggregate purchase price of $2.3 million, which was paid in cash. We will continue to operate two of these locations and integrated the third into one of our existing stores.

For a description of the 2019 Convertible Notes, the conversion terms thereof and the associated hedges and warrants transactions, see “2.125% Cash Convertible Senior Notes Due 2019” in Note 8 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.”

We anticipate that cash flow from operations and cash on hand will be adequate to fund our contractual obligations, planned de novo store growth, capital expenditures and working capital requirements during fiscal 2018. Our ability to repay our longer-term debt obligations (including the 2019 Convertible Notes and the 2024 Convertible Notes) may require us to refinance those obligations through the issuance of new debt securities or through new credit facilities.

Contractual Obligations

Below is a summary of our cash needs to meet future aggregate contractual obligations as of September 30, 2017:

		Payments due by Period			
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands)				
Long-term debt obligations (a)	$338,750	$—	$195,000	$—	$143,750
Interest on long-term debt obligations	37,172	8,231	12,409	8,266	8,266
Operating and other lease obligations	255,108	53,829	86,746	53,776	60,757

Total (b) (c)	$631,030	$62,060	$294,155	$62,042	$212,773

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(a) Excludes debt discount and deferred financing costs as well as convertible features.

(b) No provision for uncertain tax benefits has been included as the timing of any such payment is uncertain. See Note 10 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplemental Data." Additionally, no provision for insurance reserves, deferred compensation arrangements, or other liabilities totaling $2.6 million has been included as the timing of such payments are uncertain.

(c) Total excludes contractual obligations already recorded on our consolidated balance sheets as current liabilities, except for the accrued portions of interest and lease obligations.

In addition to the operating lease obligations in the table above, we are responsible for the maintenance, property taxes and insurance at most of our locations. During the fiscal year ended September 30, 2017 these collectively amounted to $21.4 million.

Critical Accounting Policies and Estimates

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

The critical accounting policies and estimates that could have a significant impact on our results of operations, as well as relevant recent accounting pronouncements, are described in Note 1 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplemental Data." Certain accounting policies regarding the quantification of the sensitivity of certain critical estimates are discussed further below.

Pawn Loan and Sales Revenue Recognition

We record pawn service charges using the effective interest method for all pawn loans we believe to be collectible. We base our estimate of collectible loans on several inputs, including recent redemption rates, historical trends in redemption rates and the amount of loans due in the following months. Unexpected variations in any of these factors could change our estimate of collectible loans, affecting our earnings and financial condition. As of September 30, 2017, the balance of our pawn service charges receivable was $31.5 million. Assuming the pawn loan fees and service charges receivable balance as of September 30, 2017 was overestimated or underestimated by 10%, pawn service charges would decrease or increase by approximately $3.2 million in fiscal 2017 and net income attributable to the Company would decrease or increase by approximately $2.1 million.

Inventory and Cost of Goods Sold

We consider our estimates of obsolete or slow moving inventory and shrinkage critical estimates in determining the appropriate overall valuation allowance for inventory. We monitor our sales margins for each type of inventory on an ongoing basis and compare to historical margins. Significant variances in those margins may require a revision to future inventory reserve estimates. We have historically revised our reserve estimates pertaining to jewelry inventory depending on the current price of gold. Future declines in gold prices may cause an increase in reserve rates pertaining to jewelry inventory. As of September 30, 2017, the gross balance of our inventory was $161.2 million for which we have included reserves of $6.8 million. Assuming the inventory reserve balance as of September 30, 2017 was underestimated or overestimated by 10%, merchandise cost of goods sold would increase or decrease by approximately $0.7 million in 2017 and net income attributable to the Company would decrease or increase by approximately $0.4 million.

Notes Receivable

In September 2017, we restructured our remaining outstanding notes receivable and accounted for such restructuring as new notes for which the modification was more than minor, recognizing $3.0 million of remaining discount as a gain, included under "Interest income" in our consolidated statements of operations. As part of the restructuring of the notes receivable, we negotiated a deferred compensation amount of up to $14.0 million which we will account for as "Interest income" under the effective interest method by adjusting the underlying basis of the notes accordingly, accreting to its ultimate estimated settlement amount through September 2020. We review the payment history, creditworthiness, projected cash flows and related assumptions of Grupo Finmart and AlphaCredit, as applicable, in determining whether our net notes receivable of $61.0 million and deferred compensation amounts are collectible. Through the date of this report, we have received all payments on these restructured notes receivable as contractually obligated. We regularly monitor and evaluate the timeliness of payments and other inputs to the valuation of the notes.

Goodwill and Other Intangible Assets

We perform our impairment analyses utilizing the income approach. This approach uses future cash flows and estimated terminal values for each of our reporting units (discounted using a market participant perspective) to determine the fair value of each reporting unit, which is then compared to the carrying value of the reporting unit to determine if there is an impairment. Of those reporting units with goodwill, we have determined that they are equivalent to our operating segments for fiscal 2017. The income approach includes assumptions about revenue growth rates, operating margins and terminal growth rates discounted by an estimated weighted-average cost of capital derived from other publicly-traded companies that are similar but not identical from an operational and economic standpoint. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our fiscal 2017 goodwill and other intangible asset valuations ranged from 9% to 12%, down from 10% to 14% for fiscal 2016, representing an overall decrease in our weighted-average cost of capital as a result of improving business fundamentals in fiscal 2017 from 2016, as well as a result of our exit from Grupo Finmart and changes in our capital structure. In testing other intangible assets for potential impairment, we apply key assumptions which are consistent with those utilized in our goodwill impairment test. Changes in the economic conditions or regulatory environment could negatively affect our key assumptions.

We may perform a qualitative assessment in making our determination of whether it is more likely than not goodwill and other intangible assets are impaired under appropriate accounting guidance on an annual basis in future reporting periods. In addition to the assumptions discussed above pertaining to the income approach, we consider the assessment of potential triggering events to be a critical estimate.

Convertible Debt Securities

In accounting for our 2.875% Convertible Senior Notes Due 2024 (the “2024 Convertible Notes”) at issuance, we separated the Convertible Debt Securities into debt and equity components pursuant to the accounting standards for convertible debt instruments that may be fully or partially settled in cash upon conversion.

The carrying value of the liability component of the 2024 Convertible Notes was calculated by measuring the fair value of a similar liability that does not have an associated conversion feature, including discount rates slightly above 8%. A 50 basis point change in the discount rate used to record the initial carrying value of the liability would have resulted in an approximate $3 million change in the initial carrying value of the liability and associated equity classified conversion feature. The excess of the principal amount of the 2024 Convertible Notes over the fair value of the liability component was recorded as a discount with a corresponding increase in additional paid-in capital. The debt discount will be accreted to “Interest expense” over the term of the 2024 Convertible Notes using the effective interest method. The amount recorded to “Additional paid-in capital” will not be remeasured as long as it continues to meet the conditions for equity classification.

We account for the conversion premium of the 2024 Convertible Notes under the treasury method in accordance with our accounting policy which assumes settlement of the conversion premium (equal to the as-converted value over the face principal amount) in shares of our Class A Common Stock.

Stock Compensation

We measure share-based compensation expense at the grant date based on the fair value of the award and recognize it as expense, net of estimated forfeitures, ratably over the vesting or service period, as applicable, of the stock award. Our policy is to recognize expense on performance-based awards ratably over the awards’ vesting period and recognize expense on awards that only have service requirements on a straight-line basis. We recognize expense on performance-based awards for those awards with performance conditions which we consider probable of achievement.

We adopted Financial Accounting Standards Board Accounting Standards Updates ("ASU") 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, during the first quarter of fiscal 2017. This ASU simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, calculation of the dilutive impact of awards, classification of awards as either equity or liabilities and classification on the statement of cash flows. We prospectively applied the requirement to present excess tax benefits as an operating activity on the statement of cash flows. Further, we continue to estimate the number of award forfeitures in recording costs for share-based awards. The financial impact of adopting ASU 2016-09 was a $0.5 million income tax benefit for excess tax benefits on vested awards which previously would have been recorded to "Additional paid-in capital" prior to adoption of ASU 2016-09.

We adopted ASU 2014-12, Compensation — Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, during second quarter of fiscal 2016 and applied the amendments prospectively to all awards granted or modified after the effective date. This

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ASU requires recognition of compensation costs for share-based awards with performance targets in the period in which it becomes probable that the performance targets will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered.

Income Taxes

Management believes that it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with future reversals of existing taxable temporary differences, will be sufficient to fully recover the deferred tax assets. In the event that we determine all or part of the net deferred tax assets are not realizable in the future, we will make an adjustment to the valuation allowance that would be charged to earnings in the period such determination is made.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. We have not recorded a deferred tax liability related to the U.S. federal and state income taxes and foreign withholding taxes of our undistributed earnings of foreign subsidiaries indefinitely invested outside the U.S.

We may be subject to income tax audits by the respective tax authorities in any or all of the jurisdictions in which we operate or have operated within a relevant period. Significant judgment is required in determining uncertain tax positions. We utilize the required two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. We adjust these reserves in light of changing facts and circumstances, such as the closing of an audit or the refinement of an estimate. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We believe adequate provisions for income taxes have been made for all periods.

Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results

This Annual Report on Form 10-K, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend that all forward-looking statements be subject to the safe harbors created by these laws. All statements, other than statements of historical facts, regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives are forward-looking statements. The words “may,” "can," “should,” “could,” “will,” "would," “predict,” “anticipate,” “believe,” “e “expect,” “intend,” “plan,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such statements are only predictions of the outcome and timing of future events based on our current expectations and currently available information. Actual results could differ materially from those expressed in the forward-looking statements due to a number of risks and uncertainties, many of which are beyond our control. Accordingly, you should not regard any forward-looking statement as a representation that the expected results will be achieved. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report. Such risks and uncertainties include, among other things:

- Changes in laws and regulations;
- Concentration of business in Texas and Florida;
- Changes in the business, regulatory, political or social climate in Latin America;
- Changes in gold prices or volumes;
- Changes in foreign currency exchange rates;
- Changes in pawn redemption rates, loan default and collection rates or other important operating metrics;
- Our ability to continue growing our store count through acquisitions and de novo openings;
- Our ability to recruit, hire, retain and motivate talented executives and key employees;
- Exposure to Grupo Finmart financial performance through promissory notes received in divestiture transaction;

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- The outcome of current or future litigation and regulatory proceedings;
- Our controlled ownership structure;
- Potential disruptive effect of acquisitions, investments and new businesses;
- Potential regulatory fines and penalties, lawsuits and related liabilities related to firearms business;
- Potential robberies, burglaries and other crimes at our stores;
- Potential exposure under anti-corruption, anti-money laundering and other general business laws and regulations;
- Changes in liquidity, capital requirements or access to debt and capital markets;
- Changes in the competitive landscape;
- Our ability to design or acquire, deploy and maintain adequate information technology and other business systems;
- Potential data security breaches;
- Failure to achieve adequate return on investments;
- Potential uninsured property, casualty or other losses;
- Events beyond our control;
- Changes in U.S. or international tax laws;
- Financial statement impact of potential impairment of goodwill; and
- Potential conversion of Convertible Notes into cash (which could adversely affect liquidity) or stock, (which will cause dilution of existing stockholders).

For a discussion of these important risk factors, see "Part I, Item 1A — Risk Factors."

In addition, we cannot predict all of the risks and uncertainties that could cause our actual results to differ from those expressed in the forward-looking statements. You should not place undue reliance on our forward-looking statements. Although forward-looking statements reflect our good faith beliefs, forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Accordingly, you should not regard any forward-looking statements as a representation that the expected results will be achieved.

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

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ITEM 7A — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Disclosures

We are exposed to market risk related primarily to gold values and changes in foreign currency exchange rates.

Our earnings and financial position are affected by changes in gold values, and to a lesser extent silver and stone values, and the resulting impact on pawn lending, jewelry sales and jewelry cost of goods sold. The proceeds of scrap sales and our ability to sell jewelry inventory at an acceptable margin depend on gold values. The impact on our financial position and results of operations of a hypothetical change in gold values cannot be reasonably estimated due to the timing of scrap sales, among other operational considerations.

Our earnings and financial position are affected by foreign exchange rate fluctuations related to our equity investments and our foreign operations. Cash Converters International's functional currency is the Australian dollar, Empeño Fácil's functional currency is the Mexican peso and our Canadian operations' functional currency is the Canadian dollar. Subsequent to September 30, 2017 as a result of the acquisition of GPMX, we are exposed to foreign exchange rate fluctuations related to the Guatemalan quetzal, Peruvian sol and Honduran lempira.

The translation adjustment from Cash Converters International through June 30, 2017 (included in our September 30, 2017 results on a three-month lag) was a $1.3 million increase to stockholders' equity, excluding income tax impacts. During the fiscal year ended September 30, 2017, the Australian dollar strengthened to $1.00 Australian to $0.7834 U.S. from $0.7636 U.S. as of September 30, 2016.

The translation adjustment from Latin America representing the weakening of the Mexican peso during the year ended September 30, 2017 was a $4.7 million increase to stockholders' equity. We have currently assumed indefinite reinvestment of earnings and capital in Mexico. Accumulated translation gains or losses related to any future repatriation of earnings or capital would impact our earnings in the period of repatriation. During the fiscal year ended September 30, 2017, the Mexican peso strengthened to $1.00 Mexican to $0.05495 U.S. from $0.05152 U.S. as of September 30, 2016. We have calculated the impact of foreign currency effects on our fiscal 2017 Mexico Pawn results of operations and determined that revenues and operating contribution would have been $108.4 million and $19.6 million, respectively, as compared to actual revenues and operating contribution of $101.2 million and $18.7 million, respectively, had foreign currency exchange rates remained consistent in fiscal 2017 with those in effect during fiscal 2016.

The translation adjustment from our Canadian operations representing the strengthening of the Canadian dollar during the year ended September 30, 2017 was a $0.2 million increase to stockholders' equity. During the fiscal year ended September 30, 2017, the Canadian dollar strengthened to $1.00 Canadian to $0.8023 U.S. from $0.7636 U.S. as of September 30, 2016.

We cannot predict the future valuation of foreign currencies or how further movements in exchange rates could affect our future earnings or financial position due to the interrelationship of operating results and exchange rates.

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ITEM 8 — FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
EZCORP, Inc.
Rollingwood, Texas

We have audited the accompanying consolidated balance sheets of EZCORP, Inc. as of September 30, 2017 and 2016 and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2017. 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 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EZCORP, Inc. at September 30, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), EZCORP, Inc.'s internal control over financial reporting as of September 30, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated November 15, 2017, expressed an unqualified opinion thereon.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for discontinued operations in 2016, due to the adoption of Financial Accounting Standards Board's ("FASB") Accounting Standard Update No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity."

/s/ BDO USA, LLP
Dallas, Texas

November 15, 2017

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EZCORP, Inc.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	September 30, 2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	$164,393	$65,737
Pawn loans	169,242	167,329
Pawn service charges receivable, net	31,548	31,062
Inventory, net	154,411	140,224
Notes receivable, net	32,598	41,946
Prepaid expenses and other current assets	28,765	35,845
Total current assets	580,957	482,143
Investment in unconsolidated affiliate	43,319	37,128
Property and equipment, net	57,959	58,455
Goodwill	254,760	253,976
Intangible assets, net	32,420	30,681
Notes receivable, net	28,377	41,119
Deferred tax asset, net	16,856	35,303
Other assets	9,715	44,439
Total assets	$1,024,363	$983,244
Liabilities and equity:		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	$61,543	$84,285
Customer layaway deposits	11,032	10,693
Total current liabilities	72,575	94,978
Long-term debt, net	284,807	283,611
Other long-term liabilities	7,055	10,450
Total liabilities	364,437	389,039
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Class A Non-Voting Common Stock, par value $.01 per share; shares authorized: 100 million; issued and outstanding: 51,427,832 as of September 30, 2017 and 51,129,144 as of September 30, 2016	514	511
Class B Voting Common Stock, convertible, par value $.01 per share; shares authorized: 3 million; issued and outstanding: 2,970,171	30	30
Additional paid-in capital	348,532	318,723
Retained earnings	351,666	319,808
Accumulated other comprehensive loss	(38,367)	(44,089)
EZCORP, Inc. stockholders' equity	662,375	594,983
Noncontrolling interest	(2,449)	(778)
Total equity	659,926	594,205
Total liabilities and equity	$1,024,363	$983,244

See accompanying notes to consolidated financial statements.

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EZCORP, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands, except per share amounts)		
Revenues:			
Merchandise sales	$414,838	$409,107	$402,118
Jewelry scrapping sales	51,189	50,113	57,973
Pawn service charges	273,080	261,800	247,204
Other revenues	8,847	9,485	12,705
Total revenues	747,954	730,505	720,000
Merchandise cost of goods sold	266,525	258,271	267,789
Jewelry scrapping cost of goods sold	43,931	42,039	46,066
Other cost of revenues	1,988	1,965	3,125
Net revenues	435,510	428,230	403,020
Operating expenses:			
Operations	304,636	301,387	294,939
Administrative	53,254	68,101	72,986
Depreciation and amortization	23,661	26,542	30,959
Loss on sale or disposal of assets	359	1,106	2,659
Restructuring	—	1,921	17,080
Total operating expenses	381,910	399,057	418,623
Operating income (loss)	53,600	29,173	(15,603)
Interest expense	27,803	16,477	16,385
Interest income	(12,103)	(81)	(278)
Equity in net (income) loss of unconsolidated affiliate	(4,916)	255	5,473
Impairment of investments	—	10,957	26,837
Other (income) expense	(423)	1,202	2,187
Income (loss) from continuing operations before income taxes	43,239	363	(66,207)
Income tax expense (benefit)	11,206	9,361	(14,025)
Income (loss) from continuing operations, net of tax	32,033	(8,998)	(52,182)
Loss from discontinued operations, net of tax	(1,825)	(79,432)	(42,045)
Net income (loss)	30,208	(88,430)	(94,227)
Net loss attributable to noncontrolling interest	(1,650)	(7,686)	(5,035)
Net income (loss) attributable to EZCORP, Inc.	$31,858	$(80,744)	$(89,192)
Basic earnings (loss) per share attributable to EZCORP, Inc. — continuing operations	$0.62	$(0.15)	$(0.94)
Diluted earnings (loss) per share attributable to EZCORP, Inc. — continuing operations	$0.62	$(0.15)	$(0.94)
Weighted-average basic shares outstanding	54,260	54,427	54,369
Weighted-average diluted shares outstanding	54,368	54,427	54,369

See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Net income (loss)	$30,208	$(88,430)	$(94,227)
Other comprehensive income (loss):			
Foreign currency translation gain (loss), net of income tax (expense) benefit for our investment in unconsolidated affiliate of ($446), $1,975 and $4,408 for the years ended September 30, 2017, 2016 and 2015, respectively	5,701	(14,580)	(50,667)
Amounts reclassified from accumulated other comprehensive loss	—	22	457
Other comprehensive income (loss), net of tax	5,701	(14,558)	(50,210)
Comprehensive income (loss)	35,909	(102,988)	(144,437)
Comprehensive loss attributable to noncontrolling interest	(1,671)	(8,078)	(10,347)
Comprehensive income (loss) attributable to EZCORP, Inc.	$37,580	$(94,910)	$(134,090)

See accompanying notes to consolidated financial statements.

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EZCORP, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Equity
	(in thousands)						
Balances as of October 1, 2014	53,585	$536	$332,264	$489,744	$ (10,198)	$ —	$812,346
Stock compensation	—	—	(1,558)	—	—	—	(1,558)
Purchase of subsidiary shares from noncontrolling interest	—	—	(20,222)	—	(71)	—	(20,293)
Release of restricted stock	111	1	—	—	—	—	1
Excess tax deficiency from stock compensation	—	—	(236)	—	—	—	(236)
Taxes paid related to net share settlement of equity awards	—	—	(210)	—	—	—	(210)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	428	—	428
Foreign currency translation adjustment	—	—	—	—	(45,255)	—	(45,255)
Net loss	—	—	—	(89,192)	—	—	(89,192)
Balances as of September 30, 2015	53,696	$537	$310,038	$400,552	$ (55,096)	$ —	$656,031
Stock compensation	—	—	9,152	—	—	—	9,152
Release of restricted stock	403	4	—	—	—	—	4
Excess tax deficiency from stock compensation	—	—	(295)	—	—	—	(295)
Taxes paid related to net share settlement of equity awards	—	—	(172)	—	—	—	(172)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	21	—	21
Foreign currency translation adjustment	—	—	—	—	(14,187)	—	(14,187)
Foreign currency translation reclassification upon disposition of Grupo Finmart	—	—	—	—	25,173	—	25,173
Acquisition of noncontrolling interest	—	—	—	—	—	246	246
Net loss	—	—	—	(80,744)	—	(1,024)	(81,768)
Balances as of September 30, 2016	54,099	$541	$318,723	$319,808	$ (44,089)	$ (778)	$594,205
Stock compensation	—	—	5,831	—	—	—	5,831
Release of restricted stock	299	3	—	—	—	—	3
Taxes paid related to net share settlement of equity awards	—	—	(767)	—	—	—	(767)
Reclassification of 2019 Convertible Notes Warrants to liabilities	—	—	(523)	—	—	—	(523)
Foreign currency translation adjustment	—	—	—	—	5,722	(21)	5,701
Equity classified conversion feature of 2024 Convertible Notes, net of tax	—	—	25,268	—	—	—	25,268

Net income (loss)	—	—	—	31,858	—	(1,650)	30,208
Balances as of September 30, 2017	54,398	$ 544	$ 348,532	$ 351,666	$ (38,367)	$ (2,449)	$ 659,926

See accompanying notes to consolidated financial statements.

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EZCORP, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Operating activities:			
Net income (loss)	$30,208	$(88,430)	$(94,227)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	23,661	28,651	37,034
Amortization of debt discount and deferred financing costs	12,303	12,375	13,038
Amortization of prepaid commissions	—	13,083	13,702
Accretion of notes receivable discount	(3,788)	—	—
Consumer loan loss provision	1,988	27,917	51,966
Deferred income taxes	6,046	2,674	(2,124)
Impairment of goodwill and long-lived assets	—	73,244	30,782
Other adjustments	17	7,289	13,925
Gain on restructured notes receivable	(3,048)	—	—
Gain on disposition of Grupo Finmart, net of loss on extinguishment	—	(32,172)	—
Loss on extinguishment of debt and other	5,250	—	—
Loss on sale or disposal of assets	359	1,106	2,893
Stock compensation expense	5,866	5,346	2,374
(Income) loss from investments in unconsolidated affiliate	(4,916)	255	5,473
Impairment of investments in unconsolidated affiliate	—	10,957	26,837
Changes in operating assets and liabilities, net of business acquisitions:			
Service charges and fees receivable	(224)	7,677	(9,987)
Inventory	721	(3,735)	433
Prepaid expenses, other current assets and other assets	5,166	(15,397)	(11,980)
Accounts payable, accrued expenses and other liabilities	(31,041)	(26,297)	15,564
Customer layaway deposits	241	329	1,997
Income taxes, net of excess tax benefit from stock compensation	3,027	37,334	(23,144)
Dividends from unconsolidated affiliate	—	2,197	4,842
Net cash provided by operating activities	51,836	64,403	79,398
Investing activities:			
Loans made	(646,625)	(676,375)	(842,074)
Loans repaid	386,383	428,196	574,353
Recovery of pawn loan principal through sale of forfeited collateral	244,632	235,168	243,692
Additions to property and equipment, net of proceeds from sale of assets	(18,853)	(9,550)	(23,722)
Acquisitions, net of cash acquired	(2,250)	(6,000)	(7,802)
Investments in unconsolidated affiliate	—	—	(12,140)
Proceeds from disposition of Grupo Finmart, net of cash disposed	—	35,277	—
Principal collections on notes receivable	29,458	—	—
Net cash (used in) provided by investing activities	(7,255)	6,716	(67,693)
Financing activities:			
Taxes paid related to net share settlement of equity awards	(767)	(172)	(210)
Payout of deferred consideration	—	(15,000)	(6,000)
Purchase of subsidiary shares from noncontrolling interest	—	—	(32,411)
Proceeds from settlement of forward currency contracts	—	3,557	2,313

Change in restricted cash	—	8,199	40,949
Proceeds from borrowings, net of issuance costs	139,506	64,133	70,130
Payments on borrowings	(85,388)	(112,123)	(72,369)
Repurchase of common stock	—	(11,750)	—
Net cash provided by (used in) financing activities	53,351	(63,156)	2,402
Effect of exchange rate changes on cash and cash equivalents	724	(1,350)	(10,308)
Net increase in cash and cash equivalents	98,656	6,613	3,799
Cash and cash equivalents at beginning of period	65,737	59,124	55,325
Cash and cash equivalents at end of period	$164,393	$65,737	$59,124
Cash paid (refunded) during the period for:			
Interest	$9,068	$18,722	$16,472
Income taxes, net	8,866	2,962	(8,042)
Non-cash investing and financing activities:			
Pawn loans forfeited and transferred to inventory	$257,388	$249,316	$230,998
Dividend reinvestment acquisition of additional ownership in unconsolidated affiliate	1,153	—	—
Issuance of common stock due to acquisitions	—	—	11,696
Deferred consideration	—	—	9,500
Equity adjustment due to noncontrolling interest purchase	—	—	23,251

See accompanying notes to consolidated financial statements.

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EZCORP, Inc.
Notes to Consolidated Financial Statements
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Description of Business
We are a leading provider of pawn loans in the United States and Mexico. Pawn loans are non-recourse loans collateralized by tangible property. We also sell merchandise, primarily collateral forfeited from pawn lending operations and used merchandise purchased from customers, and operate a small number of financial services stores in Canada.
As of September 30, 2017, we operated a total of 786 locations, consisting of:

- 513 United States pawn stores (operating primarily as EZPAWN or Value Pawn & Jewelry);
- 246 Mexico pawn stores (operating as Empeño Fácil); and
- 27 financial services stores in Canada (operating as CASHMAX).

We also own approximately 32% of Cash Converters International Limited ("Cash Converters International"), based in Australia and publicly-traded on the Australian Stock Exchange, which franchises and operates a worldwide network of nearly 700 locations that provide pawn loans, short-term unsecured loans and other consumer finance products, and buy and sell second-hand goods.
Basis of Presentation and Principles of Consolidation
The consolidated financial statements include the accounts of EZCORP, Inc. and its consolidated subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.
We adopted Financial Accounting Standards Board ("FASB") Accounting Standards Updates ("ASUs") 2014-15, Presentation of Financial Statements — Going Concern (Subtopic 205-40) during the first quarter of fiscal 2017. Upon adoption of the ASU, management has the responsibility to evaluate whether there is substantial doubt about our ability to continue as a going concern for a period of one year after the date that the financial statements are issued (or available to be issued) or to provide related footnote disclosures.
To determine if we hold a controlling financial interest in an entity, we first evaluate if we are required to apply the variable interest entity ("VIE") model to the entity; otherwise, the entity is evaluated under the voting interest model. Where we hold current or potential rights that give us the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, combined with a variable interest that gives us the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, we have a controlling financial interest in that VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally.
In evaluating whether we have the power to direct the activities of a VIE that most significantly impact its economic performance, we consider the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and our decision-making role, if any, in those activities that significantly determine the entity's economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity's future performance and the exercise of professional judgment in deciding which decision-making rights are most important.
In determining whether we have the right to receive benefits or the obligation to absorb losses that could potentially be significant to a VIE, we evaluate all of our economic interests in the entity, regardless of form (debt, equity, management and servicing fees and other contractual arrangements). This evaluation considers all relevant factors of the entity's design, including the entity's capital structure, contractual rights to earnings or losses, subordination of our interests relative to those of other investors, as well as any other contractual arrangements that might exist that could have the potential to be economically significant. The evaluation of each of these factors in reaching a conclusion about the potential significance of our economic interests is a matter that requires the exercise of professional judgment.
Our fiscal 2017 noncontrolling interest is comprised of activities of an insignificant consolidated VIE of which we have majority ownership and are the primary funding source. In addition, see "Notes Receivable from Grupo Finmart Divestiture" in Note 5 for discussion of the nonconsolidated VIE Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart").

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Reclassifications to Prior Period Financial Statements
Certain reclassifications of prior period amounts have been made. These reclassifications, other than those pertaining to the adoption of ASUs discussed below, were made to conform to the current period presentation.
Pawn Loan and Sales Revenue Recognition
We record pawn service charges using the effective interest method for all pawn loans we believe to be collectible. We base our estimate of collectible loans on several inputs, including recent redemption rates, historical trends in redemption rates and the amount of loans due in the following months. Unexpected variations in any of these factors could change our estimate of collectible loans, affecting our earnings and financial condition. If a pawn loan is not repaid, we value the forfeited collateral (inventory) at the lower of cost (pawn loan principal) or net realizable value of the item.
We record sales revenue and the related cost when merchandise inventory is sold, or when we receive the final payment on a layaway sale. We record sales revenue and the related cost when scrap inventory is sold and the proceeds to be received are fixed and determinable and ownership is transferred. Sales tax collected on the sale of inventory is excluded from the amount recognized as sales and instead recorded as a liability in “Accounts payable, accrued expenses and other current liabilities” in our consolidated balance sheets until remitted to the appropriate governmental authorities.
Customers may purchase a product protection plan that allows them to exchange certain general merchandise (non-jewelry) sold through our retail pawn operations within six months of purchase. We recognize the fees for this service as revenue ratably over the three to six month period of the plan. We also offer a jewelry VIP package, which guarantees customers a minimum future pawn loan amount on the item sold, allows them full credit if they trade in the item to purchase a more expensive piece of jewelry, and provides minor repair service on the item sold. These fees are recognized upon sale. Customers may also purchase an item on layaway by paying a minimum layaway deposit of typically 10% of the item’s sale price. We hold the item for a 60 to 180-day period, during which the customer is required to pay the balance of the sales price. The initial deposit and subsequent payments are recorded as customer layaway deposits. Layaways are recorded as sales when paid in full. We record product protection, jewelry VIP and layaway fees as merchandise sales revenue, as they are incidental to sales of merchandise.
Inventory and Cost of Goods Sold
If a pawn loan is not redeemed, we record the forfeited collateral at cost (the principal amount of the pawn loan) in "Inventory, net" in our consolidated balance sheets. We do not record loan loss allowances or charge-offs on the principal portion of pawn loans, as they are fully collateralized. We record our inventory using the specific identification method of accounting.
In order to state inventory at the lower of cost or net realizable value, we record an allowance for excess, obsolete or slow moving inventory based on the type and age of merchandise. Our inventory consists primarily of general merchandise and jewelry. Our "Merchandise cost of goods sold" includes the historical cost of inventory sold, inventory shrinkage and any change in the allowance for inventory shrinkage and valuation. We include the cost of operating our central jewelry processing unit under “Jewelry scrapping cost of goods sold,” as it relates directly to sales of precious metals to refiners.
We consider our estimates of obsolete or slow moving inventory and shrinkage critical estimates in determining the appropriate overall valuation allowance for inventory. We monitor our sales margins for each type of inventory on an ongoing basis and compare to historical margins. Significant variances in those margins may require a revision to future inventory reserve estimates. We monitor our reserve estimates pertaining to jewelry inventory depending on the current and projected prices of gold. Future declines in the value of gold prices may cause an increase in reserve rates pertaining to jewelry inventory.
With respect to our Mexico pawn operations, we do not own the forfeited collateral; however, we assume the risk of loss on such collateral and are solely responsible for its care and disposition and as such, record such collateral under “Inventory, net” in our consolidated balance sheets. The amount of inventory from our Mexico pawn operations classified as “Inventory, net” in our consolidated balance sheets was $21.8 million and $19.0 million as of September 30, 2017 and 2016, respectively.

We adopted ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, during the first quarter of fiscal 2017 on a prospective basis, and such adoption did not have a material impact on our consolidated financial position, results of operations or cash flows. We now measure our inventories at the lower of cost or net realizable value, where net realizable value is "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation." Inventory was previously required to be measured at the lower of cost or market value, where the measurement of market value had several potential outcomes.

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Cash and Cash Equivalents and Cash Concentrations

Cash and cash equivalents consist primarily of cash on deposit or highly liquid investments with original contractual maturities of three months or less, or money market mutual funds. We hold cash at major financial institutions that often exceed FDIC insured limits. We manage our credit risk associated with cash and cash equivalents and cash concentrations by concentrating our cash deposits in high quality financial institutions and by periodically evaluating the credit quality of the primary financial institutions issuing investments or holding such deposits. Historically, we have not experienced any losses due to such cash concentrations.

Notes Receivable

As discussed under "Notes Receivable from Grupo Finmart Divestiture" in Note 5, in September 2017 we restructured the repayment arrangements for certain promissory notes that we had received from Grupo Finmart in connection with such divestiture. We accounted for the restructuring as new notes receivable for which the modification was more than minor, recognizing $3.0 million of discount remaining on the original notes receivable as a gain, included in our income statement as a component of "Interest income." As part of the restructuring of the notes receivable, we negotiated a deferred compensation amount of up to $14.0 million which we will account for as "Interest income" under the effective interest method, accreting to its ultimate estimated settlement amount at September 2020. We review the payment history, creditworthiness, projected cash flows and related assumptions of Grupo Finmart and AlphaCredit (the guarantor of such notes receivable) in determining whether our notes receivable and deferred compensation amounts are collectible. Prior to the restructuring, we amortized the discount on our notes receivable into "Interest income" under the effective interest method over the life of the notes receivable. We currently accrue interest under the terms of the repayment schedules. These items are included in "Corporate items" and "Mexico Pawn" within our segment disclosure in Note 5. As of September 30, 2017, we have included no impairment due to non-collectability on our notes receivable.

Equity Method Investments

We account for our investment in Cash Converters International using the equity method. Since Cash Converters International's fiscal year ends three months prior to ours, we report the income from this investment on a three-month lag. Thus, income reported for fiscal years ended September 30, 2017, 2016 and 2015 represents our percentage interest in the results of Cash Converters International's operations from July 1, 2016 to June 30, 2017, July 1, 2015 to June 30, 2016 and July 1, 2014 to June 30, 2015, respectively. Because Cash Converters International publicly files semi-annual financial reports with the Australian Securities & Investments Commission as of and for the periods ended June 30 and December 31, we make estimates for our equity in Cash Converters International's net income (loss) for Cash Converters International three-month periods ended March 31 (our reporting period ended June 30) and September 30 (our reporting period ended December 31). Those estimates may vary from actual results. We adjust our estimates as necessary in our reporting periods ended March 31 and September 30 to conform to Cash Converters International actual results as shown in their published semi-annual reports. We record all other-than-temporary impairments as of the date of our reporting period.

Cash Converters International records its results of operations under International Financial Reporting Standards ("IFRS"). There have historically been and currently are no material differences between Cash Converters International results of operations based upon IFRS versus results of operations as converted to accounting principles generally accepted in the United States of America ("GAAP"). We will continue to monitor for any potential IFRS to GAAP differences.

Impairments and other items recognized in prior years have created a negative basis in our investment in Cash Converters International of $20.7 million as compared to our proportionate share of equity. We accounted for this negative basis as a reduction in our portion of Cash Converters International goodwill. We will increase our equity in Cash Converters International's net income in future reporting periods for our portion of any impairments of goodwill that may be recorded by Cash Converters International until such negative basis is restored.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets having indefinite lives are not subject to amortization. We test goodwill and intangible assets with indefinite useful lives for potential impairment annually as of September 30, or more frequently 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. We adopted ASU 2017-04, Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, during the fourth quarter of fiscal 2017, and such adoption did not have a material impact on our consolidated financial position, results of operations or cash flows. This ASU eliminates Step 2 from the goodwill impairment test which previously required measurement of any goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the new standard we compare the fair value of our reporting units with their carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, without exceeding the total amount of goodwill allocated to that reporting unit.

We perform our impairment analyses utilizing the income approach. This approach uses future cash flows and estimated terminal values for each of our reporting units (discounted using a market participant perspective) to determine the fair value of each reporting unit, which is then compared to the carrying value of the reporting unit to determine if there is an impairment. We have determined that our reporting units are equivalent to our operating segments for fiscal 2017. The income approach includes assumptions about revenue growth rates, operating margins and terminal growth rates discounted by an estimated weighted-average cost of capital derived from other publicly-traded companies that are similar but not identical from an operational and economic standpoint. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in fiscal 2017 goodwill and other intangible asset valuations ranged from 9% to 12%. In testing other intangible assets for potential impairment, we apply key assumptions that are consistent with those utilized in our goodwill impairment test. Changes in the economic conditions or regulatory environment could negatively affect our key assumptions.

In addition to the assumptions discussed above pertaining to the income approach, we consider the assessment of potential triggering events to be a critical estimate.

Property and Equipment

We record property and equipment at cost. We depreciate these assets on a straight-line basis using estimated useful lives of 30 years for buildings and two to seven years for furniture, equipment and software development costs. We depreciate leasehold improvements over the shorter of their estimated useful life (typically 10 years) or the reasonably assured lease term at the inception of the lease.

Valuation of Tangible Long-Lived Assets

We assess the impairment of tangible long-lived assets whenever events or changes in circumstances indicate that the net recorded amount may not be recoverable. The following factors could trigger an impairment review: significant underperformance relative to historical or projected future cash flows, significant changes in the manner of use of the assets or the strategy for the overall business, or significant negative industry trends or legislative changes prohibiting us from offering our loan products. An impairment loss is recognized if the future undiscounted cash flows associated with the asset and the estimated fair value of the asset are less than the asset's carrying value.

In addition to the assumptions associated with the determination of projected future cash flows, we consider the assessment of potential triggering events to be a critical estimate.

Software Development Costs and Cloud Computing Arrangements

We capitalize certain costs incurred in connection with developing or obtaining software for internal use and amortize the costs on a straight-line basis over the estimated useful lives of each system, typically five years.

We adopted ASU 2015-05, Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, during the first quarter of fiscal 2017 on a prospective basis for all arrangements entered into or materially modified after adoption of the ASU, and such adoption did not have a material impact on our consolidated financial position, results of operations or cash flows. We now consider whether cloud computing arrangements include a software license. In evaluating whether our arrangements include a software license, we consider whether we have the contractual right to take possession of the software at any time during the hosting period without significant penalty and whether it is feasible for us to either run the software on our own hardware or contract with another party unrelated to the vendor to host the software. If a cloud computing arrangement includes a software license, then we account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, we account for the arrangement as a service contract.

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Customer Layaways
Customer layaway deposits are recorded as deferred revenue until we collect the entire related sales price and deliver the related merchandise to the customer.
Insurance Recoveries
We incur legal costs with respect to a variety of issues on an ongoing basis. To the extent that such costs are reimbursable under applicable insurance policies, we believe it is probable such costs will be reimbursed and such reimbursements can be reasonably estimated, we record a receivable from the insurance enterprise and a recovery of the costs in our statements of operations. All loss contingencies are recorded gross of the insured recoveries as applicable.
Fair Value of Financial Instruments
We have elected not to measure at fair value any eligible items for which fair value measurement is optional. We determine the fair value of financial instruments by reference to various market data and other valuation techniques, as appropriate.
Business Combinations
We allocate the total acquisition price to the fair value of assets and liabilities acquired and immediately expense transaction costs. We adopted ASU 2015-16, Business Combinations (Topic 805), during the second quarter of fiscal 2016 to reduce the cost and complexity of accounting for and reporting business combinations, and such adoption did not have a material impact on our consolidated financial position, results of operations or cash flows. This ASU requires recognition of adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, with the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date.
Convertible Debt Securities
In accounting for our 2.875% Convertible Senior Notes Due 2024 (the “2024 Convertible Notes”) at issuance, we separated the 2024 Convertible Notes into debt and equity components pursuant to the accounting standards for convertible debt instruments that may be fully or partially settled in cash upon conversion. The carrying value of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated conversion feature, including discount rates slightly above 8%. The excess of the principal amount of the 2024 Convertible Notes over the fair value of the liability component was recorded as a discount with a corresponding increase in additional paid-in capital. The debt discount will be accreted to “Interest expense” over the term of the 2024 Convertible Notes using the effective interest method. The amount recorded to “Additional paid-in capital” will not be remeasured as long as it continues to meet the conditions for equity classification.
Foreign Currency
Our equity investment in Cash Converters International is translated from Australian dollars into United States dollars at the exchange rates as of Cash Converters International’s balance sheet date each reporting period. The related interest in Cash Converters International’s net income is translated at the average exchange rate for each six-month period reported by Cash Converters International.
The functional currency of Mexico Pawn is the Mexican peso. The functional currency of our wholly owned foreign subsidiary in Canada is the Canadian dollar. Our foreign subsidiaries' balance sheet accounts are translated from their respective functional currencies into United States dollars at the exchange rate at the end of each quarter, and their earnings are translated into United States dollars at the average exchange rate each quarter. We present resulting translation adjustments as a separate component of stockholders’ equity.
Foreign currency transaction gains and losses not accounted for as translations as discussed above are included under “Other expense” in our consolidated statements of operations. These (gains) losses included in continuing operations were $(0.5) million, $1.1 million and $2.2 million for fiscal 2017, 2016 and 2015, respectively.
Operations Expense
Included in “Operations” expense are costs related to operating our stores and any direct costs of support offices. These costs include labor, other direct expenses such as utilities, supplies and banking fees and indirect expenses such as store rent, building repairs and maintenance, advertising, store property taxes and insurance and regional and area

management expenses.

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Administrative Expense

Included in “Administrative” expense are costs related to our executive and administrative offices. This includes executive and administrative salaries, wages, stock and incentive compensation, professional fees, license fees, costs related to the operation of our administrative offices such as rent, property taxes, insurance, information technology and other corporate costs.

Advertising

Advertising costs are expensed as incurred and included primarily under “Operations” expense in our consolidated statements of operations. These costs included in continuing operations were $1.9 million, $2.1 million and $3.1 million for fiscal 2017, 2016 and 2015, respectively.

Stock Compensation

We measure share-based compensation expense at the grant date based on the fair value of the award and recognize it as expense, net of estimated forfeitures, ratably over the vesting or service period, as applicable, of the stock award. Our policy is to recognize expense on performance-based awards ratably over the awards’ vesting period and recognize expense on awards that only have service requirements on a straight-line basis.

We adopted ASU 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, during the first quarter of fiscal 2017. This ASU simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, calculation of the dilutive impact of awards, classification of awards as either equity or liabilities and classification on the statement of cash flows. We prospectively applied the requirement to present excess tax benefits as an operating activity on the statement of cash flows. Further, we continue to estimate the number of award forfeitures in recording costs for share-based awards. The financial impact of adopting the ASU was a $0.5 million income tax benefit for excess tax benefits on vested awards which previously would have been recorded to "Additional paid-in capital" prior to adoption of the ASU.

We adopted ASU 2014-12, Compensation — Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, during the second quarter of fiscal 2016 and applied the amendments prospectively to all awards granted or modified after the effective date. This ASU requires recognition of compensation costs for share-based awards with performance targets in the period in which it becomes probable that the performance targets will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered.

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Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value of assets and liabilities and their tax basis and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the related temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized when the rate change is enacted.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. We have not recorded a deferred tax liability related to the U.S. federal and state income taxes and foreign withholding taxes of our undistributed earnings of foreign subsidiaries indefinitely invested outside the U.S.

We may be subject to income tax audits by the respective tax authorities in any or all of the jurisdictions in which we operate or have operated within a relevant period. Significant judgment is required in determining uncertain tax positions. We utilize the required two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. We adjust these reserves in light of changing facts and circumstances, such as the closing of an audit or the refinement of an estimate. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We believe adequate provisions for income taxes have been made for all periods. We recognize interest and penalties related to unrecognized tax benefits as “Income tax expense” in our consolidated statements of operations, which were $0.2 million, $0.2 million and $0.1 million during fiscal 2017, 2016 and 2015, respectively.

We consider our assessment of the recognition of deferred tax assets as well as estimates of uncertain tax positions to be critical estimates.

Earnings per Share and Common Stock

We compute basic earnings per share on the basis of the weighted average number of shares of common stock outstanding during the period. We compute diluted earnings per share on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding, including conversion features embedded in our outstanding convertible debt, during the period using the treasury stock method. Dilutive potential common shares include outstanding restricted stock awards, as well as shares issuable on conversion of our outstanding convertible debt securities and exercise of outstanding warrants. Potential common shares are required to be excluded from the computation of diluted earnings per share if the assumed proceeds upon exercise or vest are greater than the cost to re-acquire the same number of shares at the average market price, and therefore the effect would be anti-dilutive. There were no participating securities outstanding during fiscal 2017, 2016 and 2015 requiring the application of the two-class method.

Our capital stock consists of two classes of common stock designated as Class A Non-Voting Common Stock (“Class A Common Stock”) and Class B Voting Common Stock (“Class B Common Stock”). The rights, preferences and privileges of the Class A and Class B Common Stock are similar except that each share of Class B Common Stock has one vote and each share of Class A Common Stock has no voting privileges, except as required by law. All Class A Common Stock is publicly held. Holders of Class B Common Stock may, individually or as a class, convert some or all of their shares into Class A Common Stock on a one-to-one basis. Class A Common Stock becomes voting common stock upon the conversion of all Class B Common Stock to Class A Common Stock. We are required to reserve the number of authorized but unissued shares of Class A Common Stock that would be issuable upon conversion of all outstanding shares of Class B Common Stock.

Use of Estimates and Assumptions

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

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Discontinued Operations

We adopted ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, during the first quarter of fiscal 2016. There was no impact of adopting the ASU on our consolidated financial position, results of operations or cash flows. We have presented our Grupo Finmart segment classified as a discontinued operation as held for sale under the ASU, and our operations discontinued prior to adoption of the ASU including our U.S. Financial Services business ("USFS") under the accounting guidance in effect before the adoption of the ASU.

Accounting Pronouncements Not Yet Adopted

- In May 2017, the FASB issued ASU 2017-09, Compensation — Stock Compensation (Topic 718). This ASU provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted based upon guidance issued within the ASU. A reporting entity should apply the amendment to awards modified after the adoption date on a prospective basis. We do not anticipate that the adoption of the ASU will have a material effect on our financial position, results of operations or cash flows.
- In November 2016, the FASB issued ASU 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash. This ASU requires the inclusion of restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted, including within interim periods. A reporting entity should apply the amendment on a retrospective basis as of the beginning of the fiscal year for which the amendments are effective. We are in the process of evaluating the impact of adopting the on our consolidated financial position, results of operations and cash flows.
- In August 2016, the FASB issued ASU 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU provides guidance on eight specific cash flow issues. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted, including within interim periods. A reporting entity should apply the amendment on a retrospective basis as of the beginning of the fiscal year for which the amendments are effective. We are in the process of evaluating the impact of adopting the ASU on our consolidated financial position, results of operations and cash flows.
- In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted as of fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A reporting entity should generally apply the amendment on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting periods in which the amendment is effective. We have not identified any impacts to our financial statements that we believe will be material as a result of the adoption of the ASU, although we continue to evaluate the impact of adoption
- In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. The provisions of this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted based upon guidance issued within the ASU. Although we are in the process of evaluating the impact of adopting the ASU on our consolidated financial position, results of operations and cash flows, we anticipate a material impact on our consolidated financial position. Additionally, we are evaluating the disclosure requirements under this ASU and are identifying and preparing to implement changes to our accounting policies, practices and controls to support adoption of the ASU and are evaluating upgrades to our third party software solution concurrently with our adoption. We believe we are following an appropriate timeline to allow for proper recognition, presentation and disclosure upon adoption of the ASU which is effective for fiscal 2020.

- In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606) to defer the effective date to December 15, 2017 for annual reporting periods beginning after that date, with early adoption permitted, but not

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before the original effective date of December 15, 2016. The core principle of the ASU, and the subsequently issued ASUs modifying or clarifying the ASU, is that an entity should recognize revenue to depict 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. To achieve this core principle, the guidance provides that an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. The new standard allows for two methods of adoption: (a) full retrospective adoption, meaning the standard is applied to all periods presented, or (b) modified retrospective adoption, meaning the cumulative effect of applying the new standard is recognized as an adjustment to the opening retained earnings balance.

We are evaluating the impact that will result from adopting the ASU on our consolidated financial position, results of operations, and cash flows. We currently anticipate adopting the ASU using the modified retrospective method. We do not believe the adoption will have an impact on our pawn service charges recognition as we do not believe such charges are within the scope of the ASU. Further, we have not identified any impacts to our financial statements that we believe will be material as a result of the adoption of the ASU for other revenue streams, although we continue to evaluate the impact of adoption. We believe we are following an appropriate timeline to allow for proper recognition, presentation and disclosure upon adoption of the ASU which is effective for fiscal 2019.

NOTE 2: ACQUISITIONS

We have concluded that the acquisitions described below were immaterial to our overall consolidated financial results and, therefore, have omitted the information that would otherwise be required by ASC 805-10-50-2(h). See Note 18, Subsequent Events, for discussion of an acquisition completed in October 2017.

Fiscal 2017

In August 2017, we acquired certain assets related to two pawn stores in Central Texas and one pawn store in Las Vegas, Nevada, of which two were ultimately placed into operation. The aggregate purchase price for these transactions in total was $2.3 million in cash, of which $0.4 million was recorded as goodwill. For additional discussion of the Central Texas acquisition, see Note 11.

Fiscal 2016

On February 1, 2016, we acquired six pawn stores in the Houston, Texas area doing business under the "Pawn One" brand. The aggregate purchase price was $6.2 million in cash, inclusive of all ancillary arrangements, of which $3.2 million was recorded as goodwill.

Fiscal 2015

On August 17, 2015, we completed the acquisition of 13 pawn stores in Oregon and Arizona doing business under the "USA Pawn" brand. The aggregate purchase price was $12.3 million in cash, inclusive of a $0.2 million reduction for imputed interest and all ancillary arrangements. Of the total purchase price, $3.0 million was paid at closing, $3.0 million was paid in December 2015, and $6.5 million was paid in February 2016.

On February 19, 2015, we completed the acquisition of 12 pawn stores in Central Texas doing business under the "Cash Pawn" brand. The aggregate purchase price for the acquisition was $16.5 million, comprised of $5.0 million cash and 1,168,456 shares of our Class A Common Stock, valued at $10.01 per share less a $0.2 million Holding Period Adjustment. On the first anniversary of the closing date, the sellers exercised their right to require us to repurchase the Class A Common Stock for an aggregate price of $11.8 million.

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NOTE 3: EARNINGS PER SHARE

Components of basic and diluted earnings (loss) per share and excluded antidilutive potential common shares are as follows:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands, except per share amounts)		
Net income (loss) from continuing operations attributable to EZCORP (A)	$33,683	$(7,973)	$(51,298)
Loss from discontinued operations, net of tax (B)	(1,825)	(72,771)	(37,894)
Net income (loss) attributable to EZCORP (C)	$31,858	$(80,744)	$(89,192)
Weighted average outstanding shares of common stock (D)	54,260	54,427	54,369
Dilutive effect of restricted stock*	108	—	—
Weighted average common stock and common stock equivalents (E)	54,368	54,427	54,369
Basic earnings (loss) per share attributable to EZCORP:			
Continuing operations (A / D)	$0.62	$(0.15)	$(0.94)
Discontinued operations (B / D)	(0.03)	(1.34)	(0.70)
Basic earnings (loss) per share (C / D)	$0.59	$(1.49)	$(1.64)
Diluted earnings (loss) per share attributable to EZCORP:			
Continuing operations (A / E)	$0.62	$(0.15)	$(0.94)
Discontinued operations (B / E)	(0.03)	(1.34)	(0.70)
Diluted earnings (loss) per share (C / E)	$0.59	$(1.49)	$(1.64)
Potential common shares excluded from the calculation of diluted earnings (loss) per share:			
Restricted stock**	2,356	840	—
2024 Convertible Notes***	14,375	—	—
2019 Convertible Notes Warrants***	12,138	14,317	14,317
Total potential common shares excluded	28,869	15,157	14,317

* As required by ASC 260-10-45-19, amount excludes all potential common shares for periods when there is a loss from continuing operations.

** Includes antidilutive share-based awards as well as performance-based and market conditioned share-based awards that are contingently issuable, but for which the condition for issuance has not been met as of the end of the reporting period.

*** See Note 8 for discussion of the terms and conditions of these potential common shares.

Weighted-average outstanding shares of common stock for fiscal 2016 include the impact of redeemable common stock repurchased as discussed in Note 2.

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NOTE 4: STRATEGIC INVESTMENTS

As of September 30, 2017, we owned 156,552,484 shares, or approximately 32%, of our unconsolidated affiliate Cash Converters International. Our total investment in Cash Converters International was acquired between November 2009 and October 2016 for approximately $82.1 million.

Our equity in Cash Converters International’s net income (loss) was $4.9 million, $(0.3) million and $(5.5) million in fiscal 2017, 2016 and 2015, respectively. We recorded dividends from Cash Converters International of $1.2 million, $2.2 million and $4.8 million in fiscal 2017, 2016 and 2015, respectively, of which the fiscal 2017 dividend was reinvested. Cash Converters International’s accumulated undistributed after-tax earnings included in our consolidated retained earnings were $10.3 million as of September 30, 2017.

The following tables present summary financial information for Cash Converters International’s most recently reported results as of September 30, 2017, 2016 and 2015 as applicable after translation to U.S. dollars:

	June 30, 2017	2016
	(in thousands)	
Current assets	$155,749	$173,830
Non-current assets	150,843	141,028
Total assets	$306,592	$314,858
Current liabilities	$57,387	$83,275
Non-current liabilities	48,698	51,873
Shareholders’ equity	200,507	179,710
Total liabilities and shareholders’ equity	$306,592	$314,858

	Fiscal Year Ended June 30, 2017	2016	2015
	(in thousands)		
Gross revenues*	$204,684	$225,712	$241,584
Gross profit*	130,943	146,286	174,101
Net profit (loss)	15,546	(3,839)	(18,149)

*Fiscal 2016 amounts recast by Cash Converters International during fiscal 2017.

As of September 30, 2017, the fair value of our investment in Cash Converters International exceeded its carrying value, though during fiscal 2017 the fair value of our investment in Cash Converters International declined below its carrying value. We continue to monitor the fair value of our investment in Cash Converters International for other-than-temporary impairments in future reporting periods and may record additional impairment charges should the fair value of our investment in Cash Converters International further decline below its carrying value for an extended period of time. See Note 5 for the fair value and carrying value of our investment in Cash Converters International.

During fiscal 2016 and 2015, the fair value of our investment in Cash Converters International continued to decline from its previous values and remained below its carrying value as of September 30, 2016 and 2015. As of September 30, 2016 and 2015, we determined that our investment was impaired and that such impairment was other-than-temporary and recognized an other-than-temporary impairment in Cash Converters International of $11.0 million ($7.2 million, net of taxes) in fiscal 2016 and $26.8 million ($17.4 million, net of taxes) in fiscal 2015. These impairments increased the difference between the amount at which our investment was carried and the amount of underlying equity in net assets of Cash Converters International as discussed in Note 1 and were recorded under “Impairment of investment” in our consolidated statements of operations in the “Other International” segment.

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NOTE 5: FAIR VALUE MEASUREMENTS

In accordance with ASC 820-10, our assets and liabilities discussed below are classified in one of the following three categories based on the inputs used to develop their fair values: Level 1 — quoted market prices in active markets for identical assets or liabilities; Level 2 — other observable inputs other than quoted market prices; and Level 3 — unobservable inputs that are not corroborated by market data.

Recurring Fair Value Measurements

The table below presents our financial assets (liabilities) that were carried and measured at fair value on a recurring basis:

Financial Assets (Liabilities):	Balance Sheet Location	September 30, 2017	September 30, 2016
		(in thousands)	
Guarantee asset — Level 3	Prepaid expenses and other current assets	$ —	$ 1,209
Guarantee liability — Level 3	Accounts payable, accrued expenses and other current liabilities	—	(1,258)
2019 Convertible Notes Hedges — Level 2	Other assets, net	6,593	17,692
2019 Convertible Notes Embedded Derivative — Level 2	Long-term debt, net	(6,593)	(17,692)

We initially measured the guarantee asset and liability, discussed below under "Notes Receivable from Grupo Finmart Divestiture," at fair value and subsequently amortized the guarantees based upon the principal payments received on the associated notes receivable, which approximated the fair value of the guarantees on a recurring basis. As a result of the early repayment in July 2017 of notes receivable from the divestiture of Grupo Finmart discussed below, we wrote-off the remaining associated guarantee asset and liability in the fourth quarter of fiscal 2017.

We measured the fair value of the 2019 Convertible Notes Hedges and the 2019 Convertible Notes Embedded Derivative using the Black-Scholes-Merton model based on observable Level 1 and Level 2 inputs such as conversion price of underlying shares, current share price, implied volatility, risk free interest rate and other factors. As of September 30, 2017 the volatility input was revised downward to 36%, based on observed market inputs including inputs from our recent 2024 Convertible Notes issuance, from 55% as of September 30, 2016. In July 2017, we cash settled the portion of the 2019 Convertible Notes Hedges and 2019 Convertible Notes Warrants relating to $35 million aggregate principal amount of 2019 Convertible Notes that we repurchased and retired, as further discussed in Note 8. There were no transfers in or out of Level 1, Level 2 or Level 3 for financial assets or liabilities measured at fair value on a recurring basis during the periods presented.

Financial Assets and Liabilities Not Measured at Fair Value

The tables below present our financial assets and liabilities that were not measured at fair value (including those discussed below the following tables) on a recurring basis:

	Carrying Value	Estimated Fair Value			
			Fair Value Measurement Using		
	September 30, 2017	September 30, 2017	Level 1	Level 2	Level 3
	(in thousands)				
Financial assets:					
Notes receivable, net	$60,975	$74,262	$ —	$ —	$74,262
Investment in unconsolidated affiliate	43,319	49,057	49,057	—	—
Financial liabilities:					
2019 Convertible Notes	$177,346	$193,811	$ —	$193,811	$—

2024 Convertible Notes	100,870	175,016	—	175,016	—

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	Carrying Value	Estimated Fair Value			
			Fair Value Measurement Using		
	September 30, 2016	September 30, 2016	Level 1	Level 2	Level 3
	(in thousands)				
Financial assets:					
Notes receivable, net	$83,065	$83,065	$—	$—	$83,065
Investment in unconsolidated affiliate	37,128	37,128	37,128	—	—
Financial liabilities:					
2019 Convertible Notes	$197,954	$227,332	$—	$227,332	$—
Term Loan Facility	47,965	48,688	—	48,688	—

Based on the short-term nature of cash and cash equivalents, pawn loans, pawn service charges receivable and current consumer loans, fees and interest receivable, we estimate that their carrying value approximates fair value. We consider our cash and cash equivalents to be measured using Level 1 inputs and our pawn loans, pawn service charges receivable and current consumer loans, fees and interest receivable to be measured using Level 3 inputs. Significant increases or decreases in the underlying assumptions used to value pawn loans, pawn service charges receivable and current consumer loans, fees and interest receivable could significantly increase or decrease these fair value estimates.

For background information regarding the notes receivable, see "Notes Receivable from Grupo Finmart Divestiture" below. The fair value of the notes receivable as of September 30, 2017 approximated their carrying value taking into account the stated interest rates of 10% and 14.5% and estimated credit ratings for Grupo Finmart and AlphaCredit. We measured the fair value of the notes receivable as of September 30, 2016 under a discounted cash flow approach considering the estimated credit ratings for Grupo Finmart and AlphaCredit and as determined with external consultation, with discount rates ranging primarily from 8% to 15%. Certain of the significant inputs used for the valuation were not observable in the market. Included in the fair value of the notes receivable as of September 30, 2017 is the estimated fair value of the deferred compensation fee negotiated in September 2017, of which the ultimate amount to be received is dependent upon the timing of payment of the notes receivable as discussed in "Notes Receivable from Grupo Finmart Divestiture" below. Significant increases or decreases in the underlying assumptions used to value the notes receivable could significantly increase or decrease these fair value estimates.

The inputs used to generate the fair value of the investment in unconsolidated affiliate (Cash Converters International) were considered Level 1 inputs. These inputs are comprised of (a) the quoted stock price on the Australian Stock Exchange multiplied by (b) the number of shares we owned multiplied by (c) the applicable foreign currency exchange rate as of the end of our reporting period. We included no control premium for owning a large percentage of outstanding shares.

We measured the fair value of the 2019 Convertible Notes and the 2024 Convertible Notes using quoted price inputs from Bloomberg. Neither the 2019 Convertible Notes nor the 2014 Convertible Notes are actively traded, and thus the price inputs represent a Level 2 measurement. The quoted price inputs obtained from Bloomberg are highly variable from day to day, and thus the fair value estimates disclosed above could significantly increase or decrease. See Note 8 for discussion of the use of proceeds from the 2024 Convertible Notes to repurchase and retire a portion of the 2019 Convertible Notes in July 2017.

The fair value of the Term Loan Facility, described in Note 8, approximated its carrying value, inclusive of issuance costs and exclusive of deferred financing costs, as of September 30, 2016. See Note 8 for discussion of the repayment of the Term Loan Facility in July 2017.

Notes Receivable from Grupo Finmart Divestiture

Subsequent to the sale of Grupo Finmart in September 2016, we determined that we retained a variable interest in Grupo Finmart, including notes receivable and a guarantee liability of the future cash outflows of certain Grupo

Finmart foreign exchange forward contracts with a backup guarantee provided by AlphaCredit for any payments we make under the guarantee. We determined that we are not the primary beneficiary of Grupo Finmart subsequent to its disposition as we lack a controlling financial interest in Grupo Finmart.

During fiscal 2017, we collected $29.5 million in principal on these notes receivable. As of September 30, 2017, all of the notes receivable (other than the Parent Loan Notes discussed below) had been repaid and the guarantee liability had been extinguished.

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As of September 30, 2017, only two promissory notes (referred to as the “Parent Loan Notes”), one of which was denominated in Mexican Pesos, remained outstanding from the Grupo Finmart sale, with a total aggregate principal amount of $60.9 million. In September 2017, we and AlphaCredit amended the Parent Loan Notes as follows:

- The outstanding principal amount (including the $18.3 million that would otherwise have been payable on September 27, 2017) will be payable on a monthly basis over the remaining two years, commencing October 27, 2017.
- The per annum interest rate has been increased from 4% to 10% for the dollar-denominated note and from 7.5% to 14.5% for the peso-denominated note. Accrued interest is also payable monthly, commencing October 27, 2017.
- We will receive an additional deferred compensation fee of $14.0 million, payable $6.0 million on September 27, 2019, $4.0 million on March 27, 2020 and $4.0 million on September 27, 2020.
- The Parent Loan Notes may be prepaid in full voluntarily at any time and are subject to mandatory prepayment in certain circumstances. Upon any prepayment, whether voluntary or mandatory, Grupo Finmart must pay all outstanding principal, all accrued but unpaid interest and an amount equal to the sum of (1) all remaining interest payments that would otherwise be due through the end of the term and (2) the deferred compensation fee. (If the prepayment occurs on or prior to June 30, 2019, the deferred compensation fee will be reduced to $10.0 million).
- The Parent Loan Notes, as amended, are now guaranteed by AlphaCredit.

As further consideration for these amendments, AlphaCredit agreed to terminate our indemnification obligations with respect to representations and warranties and certain other matters under the Purchase Agreement, dated as of July 1, 2016, that the parties entered into in connection with the sale of Grupo Finmart (the “Purchase Agreement”). Those representations and warranties were originally scheduled to survive until March 27, 2018. AlphaCredit also agreed to terminate all indemnity claims existing at the time of the amendment and to release to us the outstanding balance ($4.1 million) held in escrow pending resolution of indemnification claims.

We accounted for this amendment as an extinguishment of the original Parent Loan Notes, recognizing $3.0 million of remaining discount as a gain included in “Interest income” in our consolidated statements of operations.

The following table presents the carrying amount and classification of the assets and liabilities compared to the maximum exposure to loss for each asset and liability:

		September 30, 2017		September 30, 2016	
Instrument	Balance Sheet Location	Asset Recorded in Consolidated Balance Sheet	Maximum Exposure to Loss	Asset (Liability) Recorded in Consolidated Balance Sheet	Maximum Exposure to Loss
		(in thousands)		(in thousands)	
Notes receivable	Notes receivable, net (including accreted deferred compensation of $0.1 million)	$60,975	$ 60,975	$83,065	$ 83,065
Guarantee asset	Prepaid expenses and other current assets	—	—	1,209	—
Guarantee liability	Accounts payable, accrued expenses and other current liabilities	—	—	(1,258)	—

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NOTE 6: PROPERTY AND EQUIPMENT

Major classifications of property and equipment were as follows:

	September 30, 2017			2016		
	Carrying Amount	Accumulated Depreciation	Net Book Value	Carrying Amount	Accumulated Depreciation	Net Book Value
	(in thousands)					
Land	$4	$—	$4	$4	$—	$4
Buildings and improvements	80,828	(55,077)	25,751	77,160	(52,934)	24,226
Furniture and equipment	105,319	(78,581)	26,738	98,066	(67,191)	30,875
Software	34,022	(32,623)	1,399	33,279	(31,729)	1,550
In progress	4,067	—	4,067	1,800	—	1,800
	$224,240	$(166,281)	$57,959	$210,309	$(151,854)	$58,455

During fiscal 2015, we recorded impairment charges of $4.3 million and $1.3 million related to long-lived assets of our U.S. Pawn and Mexico Pawn segments, respectively. These impairment charges were recorded under “Operations” expense in our consolidated statements of operations.

NOTE 7: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and Intangible Asset Balances

The following table presents the balance of each major class of indefinite-lived intangible asset:

	September 30, 2017	2016
	(in thousands)	
Pawn licenses	$9,535	$8,836
Trade name	4,000	4,000
	$13,535	$12,836

The following table presents the changes in the carrying value of goodwill by segment, in addition to discontinued operations:

	U.S. Pawn	Mexico Pawn	Discontinued Operations	Consolidated Including Held for Sale
	(in thousands)			
Balances as of September 30, 2015	$244,330	$7,316	$ 79,133	$ 330,779
Acquisitions	3,208	—	—	3,208
Goodwill impairment	—	—	(73,244)	(73,244)
Effect of foreign currency translation changes	—	(878)	(5,889)	(6,767)
Balances as of September 30, 2016	$247,538	$6,438	$ —	$ 253,976
Acquisitions	356	—	—	356
Effect of foreign currency translation changes	—	428	—	428
Balances as of September 30, 2017	$247,894	$6,866	$ —	$ 254,760

In August 2017, we acquired certain assets of two pawn stores in Central Texas and one pawn store in Las Vegas, Nevada and recorded $0.4 million in goodwill. On February 1, 2016, we acquired six pawn stores in the Houston, Texas area doing business under the "Pawn One" brand and recorded $3.2 million in goodwill. These acquisitions were made as part of our continuing strategy to enhance our earnings over the long-term. The factors contributing to the recognition of goodwill were based on several strategic and synergistic benefits we expect to realize from the acquisitions. These benefits include a greater presence in the Central Texas and Las Vegas markets, as well as the ability to further leverage our expense structure through increased scale. Goodwill from these acquisitions was recorded in the U.S. Pawn segment. We expect substantially all goodwill

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attributable to the fiscal 2017 acquisitions will be deductible and none of the goodwill attributable to the “Pawn One” acquisition will be deductible for tax purposes. See Note 2 for additional information regarding these acquisitions.
The following table presents the gross carrying amount and accumulated amortization for each major class of definite-lived intangible asset:

	September 30, 2017			2016		
	Carrying Amount	Accumulated Amortization	Net Book Value	Carrying Amount	Accumulated Amortization	Net Book Value
	(in thousands)					
Real estate finders’ fees	$1,167	$ (847)	$320	$1,902	$ (796)	$1,106
Non-compete agreements	3,659	(3,102)	557	3,581	(2,920)	661
Favorable lease	1,102	(708)	394	909	(637)	272
Internally developed software	29,741	(12,597)	17,144	23,503	(8,674)	14,829
Other	879	(409)	470	1,362	(385)	977
	$36,548	$ (17,663)	$18,885	$31,257	$ (13,412)	$17,845

Impairment of Goodwill and Intangible Assets
We test goodwill and intangible assets with an indefinite useful life for potential impairment annually, or more frequently when there are events or circumstances that indicate that it is more likely than not that an impairment exists. During the fourth quarter of fiscal 2017, we performed our required annual impairment test for all reporting units utilizing the income approach. The income approach uses future cash flows and estimated terminal values (discounted using a market participant perspective) to determine the fair value of each intangible asset. We performed a quantitative analysis and determined that the fair value of each of our reporting units exceeded their carrying value. As of September 30, 2017, the calculated fair value of the U.S. Pawn and Mexico Pawn reporting units exceeded their carrying values by approximately 18% and 95%, respectively.
During the second quarter of fiscal 2016, we recorded an impairment of $73.2 million included under "Loss from discontinued operations, net of tax" in our consolidated statements of operations, the entire amount of the goodwill associated with our previous Grupo Finmart reporting unit. During the fourth quarter of fiscal 2015, we recorded an impairment of $1.7 million included under “Operations” expense in our consolidated statements of operations, the entire amount of the goodwill associated with our previous TUYO reporting unit. During the third quarter of fiscal 2015, we recorded an impairment of $10.6 million, included under "Loss from discontinued operations, net of tax" in our consolidated statements of operations, the entire amount of the goodwill associated with our previous USFS reporting unit. In the fourth quarter of fiscal 2015, we recorded a $3.7 million impairment of internally developed software, included under corporate “Administrative” expenses in our consolidated statements of operations.
Amortization of Definite-Lived Intangibles
The amortization of most definite-lived intangible assets is recorded as amortization expense. The favorable lease asset and other intangibles are amortized to operations expense over the related lease terms.
The following table presents the amount and classification of amortization recognized as expense:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Amortization expense in continuing operations	$4,184	$4,742	$3,875
Amortization expense in discontinued operations	—	2,055	2,397
Operations expense	90	87	103
	$4,274	$6,884	$6,375

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

Fiscal Year Ended September 30,	Amortization expense	Operations expense
	(in thousands)	
2018	$ 4,006	$ 23
2019	3,772	23
2020	3,343	23
2021	2,310	22
2022	1,390	2

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

NOTE 8: LONG-TERM DEBT

The following tables present our long-term debt instruments outstanding as well as future principal payments due:

	September 30, 2017			September 30, 2016		
	Gross Amount	Debt Discount and Issuance Costs	Carrying Amount	Gross Amount	Debt Discount and Issuance Costs	Carrying Amount
	(in thousands)					
2.125% Cash Convertible Senior Notes Due 2019	$195,000	$(17,654)	$177,346	$230,000	$(32,046)	$197,954
Cash Convertible Senior Notes Due 2019 embedded derivative	6,591	—	6,591	37,692	—	37,692
2.875% Convertible Senior Notes Due 2024	143,750	(42,880)	100,870	—	—	—
Term Loan Facility	—	—	—	50,000	(2,035)	47,965
	$345,341	$(60,534)	$284,807	$317,692	$(34,081)	$283,611

	Principal Payment Schedule				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
	(in thousands)				
2.125% Cash Convertible Senior Notes Due 2019 (a)	$195,000	$ —	$195,000	$ —	$ —
2.875% Convertible Senior Notes Due 2024 (a)	143,750	—	—	—	143,750
	$338,750	$ —	$195,000	$ —	$143,750

(a) Excludes the potential impact of the embedded derivative.

2.875% Convertible Senior Notes Due 2024

In July 2017, we issued $143.75 million aggregate principal amount of 2.875% Convertible Senior Notes Due 2024 (the “2024 Convertible Notes”). All of the 2024 Convertible Notes were issued pursuant to an indenture dated July 5, 2017 (the "2017 Indenture") by and between us and Wells Fargo Bank, National Association, as the trustee. The 2024 Convertible Notes were issued in a private offering under Rule 144A under the Securities Act of 1933. The 2024 Convertible Notes pay interest semi-annually in arrears at a rate of 2.875% per annum on January 1 and July 1 of each year, commencing January 1, 2018, and will mature on July 1, 2024 (the "2024 Maturity Date"), unless converted, redeemed or repurchased in accordance with their terms prior to such date. At maturity, the holders of the 2024 Convertible Notes will be entitled to receive cash equal to the principal amount of the 2024 Convertible Notes plus unpaid accrued interest.

The 2024 Convertible Notes are convertible into cash or shares of Class A Common Stock, or any combination thereof, at our option subject to satisfaction of certain conditions and during the periods described below, based on an initial conversion rate of 100 shares of Class A Common Stock per $1,000 principal amount of 2024 Convertible Notes (equivalent to an initial conversion price of $10.00 per share of our Class A Common Stock). The conversion rate will not be adjusted for any accrued and unpaid interest. The 2024 Convertible Notes contain certain make-whole fundamental change premiums and customary anti-dilution adjustments. We account for the Class A Common Stock issuable upon conversion under the treasury stock method. To the extent our share priced increases over $10.00 per share, we are required to recognize incremental dilution of our earnings per share.

Prior to January 1, 2024, the 2024 Convertible Notes will be convertible only under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending on September 30, 2017 (and only during such fiscal quarter), if the last reported sale price of our Class A Common Stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price, as defined in the 2017 Indenture, per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A Common Stock and the conversion rate on such trading day; (3) if we call any or all of the 2024 Convertible Notes for redemption, at any time prior to the close of business on the business day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events, as defined in the 2017 Indenture. On or after January 1, 2024 until the close of business on the business day immediately preceding the 2024 Maturity Date, holders of 2024 Convertible Notes may, at their option, convert their 2024 Convertible Notes at any time, regardless of the foregoing circumstances.

We may not redeem the 2024 Convertible Notes prior to July 6, 2021. At our option, we may redeem for cash all or any portion of the 2024 Convertible Notes on or after July 6, 2021, if the last reported sale price of the Class A Common Stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption. The redemption price will be equal to 100% of the principal amount of the 2024 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

We measured the fair value of the liability component of the 2024 Convertible Notes under a discounted cash flow approach considering our synthetic credit rating, as determined with external consultation, including inputs that are not observable in the market. The fair value of the liability component was estimated by calculating the present value of the cash flows using discount rates slightly above 8% for a similarly structured liability with no conversion feature, maturing in seven years. Our estimate resulted in an initial carrying value of the liability component of the 2024 Convertible Notes of $102.7 million with an associated original issue discount of $41.0 million, exclusive of deferred financing costs, accreted to the face value of the 2024 Convertible Notes based on the effective interest method through the 2024 Maturity Date.

We accounted for the conversion feature of the 2024 Convertible Notes as a separate equity-classified instrument (the “2024 Convertible Notes Embedded Derivative”), initially recorded as $39.8 million ($25.3 million, net of tax), inclusive of deferred financing costs, on the issuance date and included under “Additional paid-in capital” in our consolidated balance sheet, including an allocated portion of the deferred financing costs. The 2024 Convertible Notes Embedded Derivative is expected to remain recorded in equity in our consolidated balance sheets as long as it continues to meet the criteria as an equity-classified instrument in subsequent reporting periods. The carrying amount of the 2024 Convertible Notes Embedded Derivative included under “Additional paid-in capital” in our consolidated balance sheet of September 30, 2017 was $25.3 million.

We incurred transaction costs of $4.2 million related to the issuance of the 2024 Convertible Notes, which we recorded as deferred financing costs and are included under “Long-term debt, net” and “Additional paid-in capital” in our consolidated balance sheets. Deferred financing costs recorded under “Long-term debt, net” are being amortized to interest expense over the expected term of the 2024 Convertible Notes.

Total interest expense pertaining to the 2024 Convertible Notes for fiscal 2017 was $2.1 million, comprised of contractual interest expense and amortization of $1.0 million and $1.1 million, respectively. The effective interest rate for fiscal 2017 was approximately 8%. As of September 30, 2017, the remaining unamortized issuance discount and financing costs will be amortized over the next seven years assuming no early conversion.

Impact of Early Conversion Conditions on Financial Statements

As of September 30, 2017, the 2024 Convertible Notes were not convertible as no conditions of conversion had been met. Accordingly, the net balance of the 2024 Convertible Notes was classified as a non-current liability in our consolidated balance sheets as of September 30, 2017. The classification of the 2024 Convertible Notes as current or non-current in the consolidated balance sheets is evaluated at each balance sheet date and may change from time to time depending on whether any of the conversion conditions has been met.

If one of the conversion conditions is met in any future fiscal quarter, we will classify our net liability under the 2024 Convertible Notes as a current liability in the consolidated balance sheets as of the end of that fiscal quarter. If none of the conversion conditions have been met in a future fiscal quarter prior to the one-year period immediately preceding the 2024 Maturity Date, we will classify our net liability under the 2024 Convertible Notes as a non-current liability in the consolidated balance sheets as of the end of that fiscal quarter. If the note holders elect to convert their 2024 Convertible Notes prior to maturity, any unamortized discount and transaction costs will be recognized as expense at the time of conversion. If the entire outstanding principal amount had been converted on September 30, 2017, we would have recorded an expense associated with the conversion, comprised of $42.9 million of unamortized debt discount and issuance costs. As of September 30, 2017, none of the note holders had elected to convert their 2024 Convertible Notes.

Term Loan Facility up to $100 Million

On September 12, 2016, we and certain of our subsidiaries (as guarantors) entered into a financing agreement with certain lenders and Fortress Credit Co LLC (as collateral and administrative agent) that provided us with a senior secured credit facility in an aggregate principal amount of $100 million, subject to various terms and conditions contained in the financing agreement. The credit facility (the “Term Loan Facility”) consisted of an initial term loan of $50 million that was drawn on September 12, 2016 and a delayed draw term loan of up to $50 million. Borrowings under the facility bore interest at an annual rate initially equal to the London Interbank Offered Rate (“LIBOR”) plus 7.5%, and we paid a monthly fee of 2.75% per annum on the average daily unused portion of the delayed draw term loan facility and a quarterly loan servicing fee of $15,000. Total interest expense pertaining to the Term Loan Facility for fiscal 2017, exclusive of extinguishment charges, was $4.7 million, comprised of contractual interest expense and amortization of $4.3 million and $0.4 million, respectively.

The Term Loan Facility was fully repaid and terminated July 2017, as discussed below under “Extinguishment of Debt.”

2.125% Cash Convertible Senior Notes Due 2019

In June 2014, we issued $200 million aggregate principal amount of 2.125% Cash Convertible Senior Notes Due 2019 (the “2019 Convertible Notes”), with an additional $30 million principal amount being issued in July 2014. All of the 2019 Convertible Notes were issued pursuant to an indenture dated June 23, 2014 (the "2014 Indenture") by and between EZCORP and Wells Fargo Bank, National Association, as the trustee. The 2019 Convertible Notes were issued in a private offering and resold under Rule 144A under the Securities Act of 1933. The 2019 Convertible Notes pay interest semi-annually in arrears at a rate of 2.125% per annum on June 15 and December 15 of each year and mature on June 15, 2019 (the "2019 Maturity Date").

Prior to December 15, 2018, the 2019 Convertible Notes will be convertible only upon the occurrence of certain events and during certain periods, and thereafter, at any time prior to the close of business on the second scheduled trading day immediately preceding the 2019 Maturity Date. At maturity, the holders of the 2019 Convertible Notes will be entitled to receive cash equal to the principal amount of the 2019 Convertible Notes plus unpaid accrued interest.

The 2019 Convertible Notes are unsubordinated unsecured obligations and rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the 2019 Convertible Notes, equal in right of payment with all of our other unsecured unsubordinated indebtedness, and effectively junior to all debt or other obligations (including trade payables) of our wholly-owned subsidiaries. The 2014 Indenture governing the 2019 Cash Convertible Notes does not contain any financial covenants.

Under the terms of the 2019 Convertible Notes, payment of dividends requires a conversion rate adjustment equal to the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such dividend multiplied by the last reported sale price of the Class A Common Stock on the trading day immediately preceding the ex-dividend date for such dividend, divided by the difference between the last reported sale price of the Class A Common Stock on the trading day immediately preceding the ex-dividend date for such dividend and the amount in cash per share we distribute to all or substantially all holders of Class A Common Stock.

Total interest expense pertaining to the 2019 Convertible Notes for fiscal 2017, 2016 and 2015, exclusive of extinguishment charges, was $15.5 million, $15.5 million and $14.1 million, respectively, comprised of contractual interest expense and amortization of $4.7 million and $10.8 million, respectively for fiscal 2017, $4.9 million and $10.6 million, respectively for fiscal 2016, and $4.9 million and $9.2 million, respectively for fiscal 2015. The effective interest rate was approximately 8%. As of September 30, 2017, the remaining unamortized issuance discount

and financing costs will be amortized over the next two years assuming no early conversion.
A portion of the 2019 Convertible Notes were repurchased and retired in July 2017, as discussed below under "Extinguishment of Debt."

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2019 Convertible Notes Embedded Derivative

We account for the cash conversion feature of the 2019 Convertible Notes as a separate derivative instrument (the “2019 Convertible Notes Embedded Derivative”), which had a fair value of $46.5 million at the time of original issuance that was recognized as the original issue discount of the 2019 Convertible Notes. This original issue discount is amortized to interest expense over the term of the 2019 Convertible Notes using the effective interest method. As of September 30, 2017, the 2019 Convertible Notes Embedded Derivative is recorded as a non-current liability under “Long-term debt, less current maturities” in our consolidated balance sheets, and will be marked to market in subsequent reporting periods. The classification of the 2019 Convertible Notes Embedded Derivative liability as current or non-current on the consolidated balance sheets corresponds with the classification of the net balance of the 2019 Convertible Notes as discussed below.

The 2019 Convertible Notes are convertible into cash, subject to satisfaction of certain conditions and during the periods described below, based on an initial “Conversion Rate” of 62.2471 shares of Class A Common Stock per $1,000 principal amount of 2019 Convertible Notes (equivalent to an initial “Conversion Price” of approximately $16.065 per share of our Class A Common Stock). Upon conversion of a note, we will pay cash based on a daily conversion value calculated on a proportionate basis for each trading day in the applicable 80 trading day observation period as described in the 2014 Indenture. The Conversion Rate will not be adjusted for any accrued and unpaid interest.

Holders may surrender their 2019 Convertible Notes for conversion into cash prior to December 15, 2018 only under the following circumstances (the “Early Conversion Conditions”): (1) during any fiscal quarter commencing after the fiscal quarter ending on September 30, 2014 (and only during such fiscal quarter), if the last reported sale price of our Class A Common Stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price, as defined in the Indenture, per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A Common Stock and the Conversion Rate on such trading day; or (3) upon the occurrence of specified corporate events, as defined in the 2014 Indenture. On or after December 15, 2018 until the close of business on the second scheduled trading day immediately preceding the 2019 Maturity Date, holders may convert their notes into cash at any time, regardless of the foregoing circumstances.

If a holder elects to convert its 2019 Convertible Notes in connection with certain make-whole fundamental changes, as that term is defined in the 2014 Indenture, that occur prior to the 2019 Maturity Date, we will, in certain circumstances, increase the Conversion Rate for 2019 Convertible Notes converted in connection with such make-whole fundamental changes by a specified number of shares of Class A Common Stock. In addition, the conversion rate is subject to customary anti-dilution adjustments (for example, certain dividend distributions or tender or exchange offer of our Class A Common Stock).

Upon the occurrence of a fundamental change, as defined in the 2014 Indenture, holders may require us to repurchase for cash all or any portion of the then outstanding 2019 Convertible Notes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest.

Impact of Early Conversion Conditions on Financial Statements

As of September 30, 2017, the 2019 Convertible Notes were not convertible because the Early Conversion Conditions described above have not been met. Accordingly, the net balance of the 2019 Convertible Notes was classified as a non-current liability in our consolidated balance sheets as of September 30, 2017. The classification of the 2019 Convertible Notes as current or non-current in the consolidated balance sheets is evaluated at each balance sheet date and may change from time to time depending on whether one of the Early Conversion Conditions has been met.

If one of the Early Conversion Conditions is met in any future fiscal quarter, we will classify our net liability under the 2019 Convertible Notes as a current liability in the consolidated balance sheets as of the end of that fiscal quarter. If none of the Early Conversion Conditions have been met in a future fiscal quarter prior to the one-year period immediately preceding the 2019 Maturity Date, we will classify our net liability under the 2019 Convertible Notes as a non-current liability in the consolidated balance sheets as of the end of that fiscal quarter. If the note holders elect to convert their 2019 Convertible Notes prior to maturity, any unamortized discount and transaction costs will be recorded to expense at the time of conversion. If the entire outstanding principal amount had been converted on September 30, 2017, we would have recorded an expense associated with the conversion, comprised of $17.7 million of unamortized debt discount and debt issuance costs. As of September 30, 2017, none of the note holders had elected to convert their 2019 Convertible Notes.

2019 Convertible Notes Hedges

In connection with the issuance of the 2019 Convertible Notes, we purchased cash-settled call options (the "2019 Convertible Notes Hedges") in privately negotiated transactions with certain of the initial purchasers or their affiliates (in this capacity, the "Option Counterparties"). The 2019 Convertible Notes Hedges provide us with the option to acquire, on a net settlement basis, approximately 12.1 million shares of our Class A Common Stock at a strike price of $16.065, which is equal to the number of shares of our Class A Common Stock that notionally underlie the 2019 Convertible Notes and corresponds to the Conversion Price of the 2019 Convertible Notes. The 2019 Convertible Notes Hedges have an expiration date that is the same as the 2019 Maturity Date, subject to earlier exercise. The 2019 Convertible Notes Hedges have customary anti-dilution provisions similar to the 2019 Convertible Notes. If we exercise the 2019 Convertible Notes Hedges, the aggregate amount of cash we will receive from the Option Counterparties will cover the aggregate amount of cash that we would be required to pay to the holders of the converted 2019 Convertible Notes, less the principal amount thereof. As of September 30, 2017, we have not purchased any shares under the 2019 Convertible Notes Hedges.

The aggregate cost of the 2019 Convertible Notes Hedges was $46.5 million (or $21.3 million net of the total proceeds from the 2019 Convertible Notes Warrants sold, as discussed below). The 2019 Convertible Notes Hedges are accounted for as a derivative asset and are recorded in the consolidated balance sheets at their estimated fair value in "Other assets, net." The 2019 Convertible Notes Embedded Derivative liability and the 2019 Convertible Notes Hedges asset will be adjusted to fair value each reporting period and unrealized gains and losses will be reflected in the consolidated statements of operations. The 2019 Convertible Notes Embedded Derivative and the 2019 Convertible Notes Hedges are designed to have similar fair values. Accordingly, the changes in the fair values of these instruments are expected to offset and not have a net impact on the consolidated statements of operations.

The classification of the 2019 Convertible Notes Hedges asset as current or long-term on the consolidated balance sheet corresponds with the classification of the 2019 Convertible Notes, which is evaluated at each balance sheet date and may change from time to time depending on whether one of the Early Conversion Conditions has been met.

2019 Convertible Notes Warrants

In connection with the issuance of the 2019 Convertible Notes, we also sold net-share-settled warrants (the "2019 Convertible Notes Warrants") in privately negotiated transactions with the option counterparties for the purchase of up to approximately 14.3 million shares of our Class A Common Stock at a strike price of $20.83 per share, for total proceeds of $25.1 million, net of issuance costs, which was recorded as an increase in stockholders' equity. The 2019 Convertible Notes Warrants have customary anti-dilution provisions similar to the 2019 Convertible Notes. As a result of the 2019 Convertible Notes Warrants, we will experience dilution to our diluted earnings per share if our average closing stock price exceeds $20.83 for any fiscal quarter. The 2019 Convertible Notes Warrants expire on various dates from September 2019 through February 2020 and must be settled in net shares of our Class A Common Stock. Therefore, upon expiration of the 2019 Convertible Notes Warrants, we will issue shares of Class A Common Stock to the purchasers of the 2019 Convertible Notes Warrants that represent the value by which the price of the Class A Common Stock exceeds the strike price stipulated within the particular warrant agreement. As of September 30, 2017, there were 12.1 million 2019 Convertible Notes Warrants outstanding.

Extinguishment of Debt

In July 2017, we used $51.6 million of net proceeds from the 2024 Convertible Notes offering to repay all outstanding borrowings under the Term Loan Facility and terminated that facility, including the undrawn delayed draw term loan commitment. The lenders have released all related security interests in our assets.

Also in July 2017, we used $34.4 million of net proceeds from the 2024 Convertible Notes offering to repurchase and retire $35.0 million aggregate principal amount of 2019 Convertible Notes. We unwound a portion of the 2019 Convertible Notes Hedges and 2019 Convertible Notes Warrants corresponding to the repurchased and retired 2019 Convertible Notes, and received $0.6 million in connection with the partial settlement of the 2019 Convertible Notes Hedges and paid $0.5 million in connection with the partial settlement of 2.2 million of the outstanding 2019 Convertible Notes Warrants.

We recorded a one-time charge of $5.3 million in the fourth quarter of fiscal 2017 related to these transactions included under "Interest expense" in our consolidated statements of operations, including write-off of unamortized debt discount and issuance costs.

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NOTE 9: STOCK COMPENSATION

On May 1, 2010 our Board of Directors approved the adoption of the EZCORP, Inc. 2010 Long-Term Incentive Plan (the “2010 Plan”). The 2010 Plan permits grants of options, restricted stock awards and stock appreciation rights covering up to 1,575,750 shares of our Class A Common Stock plus any shares that become available for issuance under either the 2010 Plan or prior plans as a result of forfeitures or cancellations of awards without delivery of shares or as a result of withholding shares to satisfy tax withholding obligations. In February 2015, March 2015, March 2016 and December 2016, the Board of Directors and the voting stockholder approved the addition of 643,673, 1,081,200, 185,026 and 500,000 shares, respectively, to the 2010 Plan.

In November and December 2016 and April 2017 for fiscal 2017, we granted 931,260 restricted stock unit awards to employees and 72,500 restricted stock awards to non-employee directors, each with a grant date fair value of approximately $9.60 per share. Our long-term incentive awards are generally granted based on our share price as of October 1 each year, which was $11.06 for these fiscal 2017 awards. The awards granted to employees vest on September 30, 2019 subject to the achievement of certain performance targets. As of September 30, 2017, we considered the achievement of these performance targets to be probable. The awards granted to non-employee directors vest over two years, 50% on September 30, 2017 and 50% on September 30, 2018 and are subject only to service conditions.

In March 2016 for fiscal 2016, we granted 961,718 restricted stock unit awards (exclusive of canceled and replaced awards discussed below) to employees which were allocated based on the October 1, 2015 price of $6.17 per share and 130,000 restricted stock awards to non-employee directors with a grant date fair value of $2.96 per share. The awards granted to employees vest on September 30, 2018 subject to the achievement of certain performance targets. As of September 30, 2017, we considered the achievement these performance targets with respect to 80% of the awards probable. The awards granted to non-employee directors vest over two years, 50% on September 30, 2016 and 50% on September 30, 2017.

In connection with the March 2016 grant discussed above, we canceled 720,000 previously issued restricted stock awards that were subject to vesting based on certain stock price levels and had a grant date fair value of $3.4 million and replaced them with 421,394 performance-based restricted stock awards described above. The cancellation and replacement of these awards was treated as a modification with unrecognized compensation cost from the original awards of $1.5 million plus incremental compensation costs resulting from the modification of $0.8 million recognized over the new requisite service period through September 30, 2018.

As of September 30, 2017, the unamortized fair value, exclusive of forfeitures, of share awards to be amortized over their remaining vesting periods was approximately $7.5 million. The weighted-average period over which these costs will be amortized is approximately two years.

The following table presents the compensation costs related to our stock compensation arrangements:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Share-based compensation costs	$5,866	$5,346	$2,374
Income tax benefits on share-based compensation	(841)	(963)	—
Net share-based compensation expense	$5,025	$4,383	$2,374

The following table presents a summary of stock compensation activity:

	Shares	Weighted Average Grant Date Fair Value

Outstanding as of September 30, 2016	2,411,500	$ 5.77
Granted	1,137,340	9.57
Released (a)	(366,775)	6.55
Forfeited	(768,282)	(2.53)
Outstanding as of September 30, 2017	2,413,783	$ 6.53

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(a) 68,087 shares were withheld to satisfy related federal income tax withholding.

The following table presents a summary of the fair value of shares granted:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in millions except per share amounts)		
Weighted average grant-date fair value per share granted (a)	$9.57	$3.53	$10.34 (b)
Total grant date fair value of shares vested	$3.8	$2.3	$1.8

(a) Awards with performance and time-based vesting provisions are generally valued based upon the underlying share price as of the issuance date. Awards with market-conditioned vesting provisions were valued using a Monte Carlo simulation model.

(b) Fiscal 2015 shares granted exclude phantom share-based awards. Including these shares, weighted average grant-date fair value was $5.69 per share.

NOTE 10: INCOME TAXES

The following table presents the components of our income (loss) from continuing operations before income taxes, including inter-segment amounts:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Domestic	$29,740	$(17)	$(71,426)
Foreign	13,499	380	5,219
	$43,239	$363	$(66,207)

The following table presents the significant components of the income tax provision from continuing operations:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Current:			
Federal	$1,092	$11,120	$(42,001)
State and foreign	6,359	3,193	2,000
	7,451	14,313	(40,001)
Deferred:			
Federal	5,190	(3,766)	16,580
State and foreign	(1,435)	(1,186)	9,396
	3,755	(4,952)	25,976
Total income tax expense (benefit)	$11,206	$9,361	$(14,025)

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The following table presents a reconciliation of income taxes calculated at the statutory rate and the provision for income taxes attributable to continuing operations:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Income tax expense (benefit) at the federal statutory rate	$15,134	$128	$(23,172)
State taxes, net of federal benefit	(714)	2,476	(701)
Mexico inflation adjustment	(1,286)	(142)	(302)
Captive insurance company	—	—	(393)
Non-deductible items	1,114	1,860	449
Foreign tax credit	(321)	2,788	(2,413)
Foreign rate differential	(172)	277	880
Change in net operating loss carryforward	1,180	—	—
Change in valuation allowance	(3,211)	1,511	4,846
Stock compensation	(386)	—	—
Uncertain tax positions	472	—	1,781
Tax basis balance sheet adjustment	—	—	2,516
Other	(604)	463	2,484
Total income tax expense (benefit)	$11,206	$9,361	$(14,025)
Effective tax rate	26 %	2,579 %	21 %

The amount of income tax expense (benefit) allocated to discontinued operations was $0.1 million, $(15.1) million, and $(16.4) million during fiscal 2017, 2016, and 2015, respectively.

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The following table shows significant components of our deferred tax assets and liabilities:

	September 30,	
	2017	2016
	(in thousands)	
Deferred tax assets:		
Cash Converters International	$13,550	$15,314
Tax over book inventory	10,094	8,763
Accrued liabilities	6,957	11,276
Pawn service charges receivable	8,687	7,871
Note receivable discount	—	2,427
Stock compensation	3,356	2,065
Foreign tax credit	3,132	2,706
Capital loss carryforward	5,010	8,017
State and foreign net operating loss carryforwards	13,671	12,891
Book over tax depreciation	2,678	—
Other	162	694
Total deferred tax assets before valuation allowance	67,297	72,024
Valuation allowance	(17,860)	(21,078)
Net deferred tax assets	49,437	50,946
Deferred tax liabilities:		
Tax over book amortization	20,629	14,060
Tax over book depreciation	—	445
Note receivable discount	10,569	—
Prepaid expenses	1,383	1,138
Total deferred tax liabilities	32,581	15,643
Net deferred tax asset	$16,856	$35,303

As of September 30, 2017, we had gross state net operating loss carryforwards of approximately $174.0 million, which begin to expire in 2018 if not utilized. We also had foreign net operating loss carryforwards of $34.8 million, which will expire between 2030 and 2037 if not utilized. Additionally, we have a $3.1 million foreign tax credit that will expire during the years 2024 to 2027 that we expect is more likely than not to be fully utilized based on the weight of available evidence.

Deferred tax assets and liabilities are recorded for the estimated tax impact of temporary differences between the tax basis and book basis of assets and liabilities. A valuation allowance is established against a deferred tax asset when it is more likely than not that the deferred tax asset will not be realized. The valuation allowance decreased by $3.2 million in fiscal 2017, primarily due to $3.0 million realization of capital loss carryforwards offsetting capital gain realized on the restructuring of our Grupo Finmart notes. Management believes that our results from future operations will generate sufficient taxable income in the appropriate jurisdictions such that it is more likely than not that the remaining deferred tax assets will be realized.

Deferred taxes are not provided for undistributed earnings of foreign subsidiaries of approximately $20.6 million which are intended to be reinvested outside of the U.S. Accordingly, no provision for U.S. federal income and foreign withholding taxes associated with a distribution of those earnings has been made. We estimate that, upon distribution of our share of these earnings, we would be subject to U.S. income taxes of approximately $1.0 million as of September 30, 2017. We provided deferred income taxes on all undistributed earnings from Cash Converters International. Any taxes paid to foreign governments on these earnings may be used in whole or in part as credits against the U.S. tax on any dividends distributed from such earnings.

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The following table presents a rollforward of unrecognized tax benefits:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Beginning balance	$6,058	$6,058	$4,402
Tax positions taken during the current period	472	—	1,656
Ending balance	$6,530	$6,058	$6,058

All of the above unrecognized tax benefits, if recognized, would impact our effective tax rate for the respective period of each ending balance. It is reasonably possible that unrecognized tax benefits will decrease by $4.9 million in the next 12 months due to the expiration of the statute of limitations.

We are subject to U.S., Mexico and Canada income taxes as well as income taxes levied by various state and local jurisdictions. With few exceptions, we are no longer subject to examinations by tax authorities for years before the tax year ended September 30, 2013. Management believes that adequate provisions have been made for any adjustments that may result from tax examinations.

NOTE 11: RELATED PARTY TRANSACTIONS

Asset Purchase Agreement

The Company entered into an Asset Purchase Agreement, dated June 8, 2017, with Cash Solution Centers, LLC ("CSC"), pursuant to which the Company agreed to acquire, for an aggregate purchase price of $700,329 in cash, certain assets used in the operation of two pawn stores located in Central Texas. Daniel M. Chism, who was appointed Chief Financial Officer of the Company effective May 9, 2017, was the owner of a 28% interest in CSC. We completed the acquisition on August 14, 2017. Following completion of this transaction, Mr. Chism does not own any interest in any pawn-related businesses outside of his interest in the Company.

The terms of this transaction were reviewed and approved by the Audit Committee of the Board of Directors pursuant to the Company's Policy for Review and Evaluation of Related Party Transactions.

NOTE 12: LEASES

We lease and sublease various facilities and certain equipment under operating and capital leases. Future minimum rentals due under non-cancelable leases and annual future minimum rentals expected under subleases are as follows:

Fiscal Year Ended September 30,	Operating Lease Payments	Sublease Revenue
	(in thousands)	
2018	$53,829	$ 3,042
2019	46,665	3,211
2020	40,081	3,295
2021	32,154	3,385
2022	21,622	2,908
Thereafter	60,757	2,604
	$255,108	$ 18,445

After an initial lease term of generally three to 10 years, our real property lease agreements typically allow renewals in three to five-year increments. Our lease agreements generally include rent escalations throughout the initial lease term. Rent escalations are included in the above amounts, with certain future rental payments contingent on increases in a consumer price index. For financial reporting purposes, the aggregate rentals over the lease term, including lease renewal options that are reasonably assured, are expensed on a straight-line basis.

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The following table presents the amount of net rent recognized as expense:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Gross rent expense from continuing operations	$56,794	$56,707	$58,890
Sublease rent revenue from continuing operations	(56)	(156)	(479)
Net rent expense from continuing operations	$56,738	$56,551	$58,411

In December 2014, we entered into a non-cancelable 13-year operating lease for our corporate offices, with rent payments beginning February 2016 and ending March 2029. Annual rent escalates from $3.0 million at lease inception to $4.6 million in the terminal year of the lease. The lease includes two five-year extension options at the end of the initial lease term. The estimated minimum future rental payments under the lease are approximately $48.2 million. During fiscal 2017 and 2016, we initiated subleases for a portion of our corporate operating office lease for estimated minimum future sublease payments of approximately $12.2 million. In addition to the above subleases, subsequent to September 30, 2017 we entered into an amendment to the operating lease surrendering another 15% of the initial leased premises. As a result and including the amendment subsequent to September 30, 2017, sublease payments are expected to offset approximately 88% of our original operating lease obligations through August 2023, with renewal options available until the end of the master operating lease in March 2029.

During the second quarter of fiscal 2015, we entered into non-cancelable subleases for our Miami and Mexico City regional offices for estimated minimum future sublease payments of approximately $6.7 million. Sublease payments are expected to offset substantially all of our original operating lease obligations over the nine-year period beginning March 2015 and ending September 2024 (in the case of the Miami lease) and the three-year period beginning March 2015 and ending June 2018 (in the case of the Mexico City lease).

NOTE 13: EMPLOYMENT AGREEMENTS AND RETIREMENT PLANS

Employment Agreements

We provide the following severance benefits to our executive officers:

- Each of our executive officers will receive salary continuation for one year if his or her employment is terminated without cause.
- Generally, restricted stock awards, including those granted to the executive officers, provide for accelerated vesting of some or all of the unvested shares in the event of the holder's death or disability.

Retirement Plans

We sponsor a 401(k) retirement savings plan under which eligible employees may contribute a portion of pre-tax earnings. In our sole discretion, we may match employee contributions in the form of either cash or our Class A Common Stock. A participant vests in the matching contributions pro rata over their first three years of service. All of a participant's matching contributions vest 100% in the event of the participant's death or disability or the termination of the plan due to a change in control.

The following table presents matching contribution information for our 401(k) plan which were made in cash:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Matching contributions to EZCORP Inc. 401(k) Plan and Trust	$658	$468	$547

We also provide a non-qualified Supplemental Executive Retirement Plan for selected executives. Funds in the Supplemental Executive Retirement Plan vest over three years from the grant date, with one-third vesting each year. All of a participant's Supplemental Executive Retirement Plan funds from all grants vest 100% in the event of the participant's death or disability or the termination of the plan due to a change in control. In addition, the Supplemental

Executive Retirement Plan funds are 100% vested when a participant attains his or her normal retirement age (generally 60 years old and five years of active service) while actively employed by us. Expense of contributions to the Supplemental Executive Retirement Plan is recognized based on the vesting schedule.

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The following table provides contribution and amortized expense amounts related to the Supplemental Executive Retirement Plan:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Contributions to the Supplemental Executive Retirement Plan	$536	$636	$356
Amortized expense due to Supplemental Executive Retirement Plan	544	153	405

NOTE 14: CONTINGENCIES

We are involved in various claims, suits, investigations and legal proceedings, including those described below. We are unable to determine the ultimate outcome of any current litigation or regulatory actions. An unfavorable outcome could have a material adverse effect on our financial condition, results of operations or liquidity. Except as noted below, we have not recorded a liability for any of these matters as of September 30, 2017 because we do not believe at this time that any loss is probable or that the amount of any probable loss can be reasonably estimated. The following is a description of significant proceedings.

Shareholder derivative litigation — On July 28, 2014, Lawrence Treppel, a purported holder of Class A Common Stock, filed a derivative action in the Court of Chancery of the State of Delaware styled Treppel v. Cohen, et al. (C.A. No. 9962-VCP). The complaint, as originally filed and as amended on September 23, 2014, names as defendants Phillip E. Cohen, the beneficial owner of all of our outstanding Class B Voting Common Stock; several current and former members of our Board of Directors (Joseph J. Beal, Sterling B. Brinkley, John Farrell, Pablo Lagos Espinosa, William C. Love, Thomas C. Roberts and Paul E. Rothamel); three entities controlled by Mr. Cohen (MS Pawn Limited Partnership, the record holder of our Class B Voting Common Stock; MS Pawn Corporation, the general partner of MS Pawn Limited Partnership; and Madison Park LLC); and EZCORP, Inc., as nominal defendant. The amended complaint asserts the following claims:

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

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

On November 13, 2014, pursuant to the parties' stipulation, the Court dismissed the action as to Mr. Brinkley, Mr. Rothamel and Mr. Lagos.

The remaining defendants filed motions to dismiss, and a hearing on those motions was held before the Court on September 8, 2015. Prior to that hearing, the plaintiff proposed a dismissal without prejudice for the claims against Mr. Beal, Mr. Love and Mr. Farrell. Those defendants continued to seek a dismissal with prejudice that would bind all potential plaintiffs. On January 15, 2016, the Court issued an opinion dismissing the action as to Mr. Beal, Mr. Love and Mr. Farrell with prejudice only as to the plaintiff.

On January 25, 2016, the Court issued a separate opinion granting in part and denying in part the motions to dismiss filed by the remaining defendants. Specifically, the Court granted the motion to dismiss Count IV (unjust enrichment) for failure to state a claim. The Court also dismissed Count III (aiding and abetting) as to Mr. Cohen, but interpreted Count I (breach of fiduciary duty) to state a claim against Mr. Cohen and MS Pawn, as well as Mr. Roberts. The Court otherwise denied the motions to dismiss, including the motion to dismiss Count III (aiding and abetting) against MS

Pawn.

On February 4, 2016, the remaining defendants filed an Application for Certification of Interlocutory Appeal, which the plaintiff opposed on February 15, 2016, and the Court set a hearing on the application. On February 22, 2016, the Court denied the Application for Certification of Interlocutory Appeal and provided the plaintiff the opportunity to amend its complaint to add a fiduciary-duty claim as to Mr. Cohen and Madison Park, staying proceedings pending a ruling from the Delaware

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Supreme Court. After the Application for Certification of Interlocutory Appeal was denied, Mr. Roberts, MS Pawn Corporation and MS Pawn Limited Partnership filed notices of appeal from the interlocutory opinion and order denying the motions to dismiss. On March 10, 2016, the Delaware Supreme Court denied those petitions for an interlocutory appeal. On March 4, 2016, the plaintiff filed a Second Amended Derivative Complaint against Mr. Roberts, Mr. Cohen, Madison Park, MS Pawn Corporation and MS Pawn Limited Partnership with EZCORP, Inc., as nominal defendant.

On August 23, 2017, the parties agreed to a mediated settlement of all remaining claims and entered into a Memorandum of Understanding regarding that settlement. Under the terms of the proposed settlement, a settlement payment of $6.5 million, less attorney fees awarded to the plaintiff's counsel and administrative costs of settlement, will be paid to the Company. Of such amount, $5.5 million will be funded by the Company's insurance carriers and $1.0 million will be funded by Madison Park LLC. The parties have completed confirmatory discovery and are in the process of preparing appropriate settlement papers to be filed with the Court. Those papers will request the Court to set a settlement hearing, at which the Court will consider the fairness and adequacy of the parties' stipulation and agreement of settlement. The proposed settlement will not be final until approved by the Court.

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

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

On January 11, 2016, the plaintiffs filed an Amended Class Action Complaint (the "Amended Complaint"). In the Amended Complaint, the plaintiffs seek to represent a class of purchasers of our Class A Common Stock between November 6, 2012 and October 20, 2015. The Amended Complaint asserts that the Company and Mr. Kuchenrither violated Section 10(b) of the Securities Exchange Act and Rule 10b-5, issued materially false or misleading statements throughout the proposed class period concerning the Company and its internal controls, specifically regarding the financial performance of Grupo Finmart. The plaintiffs also allege that Mr. Kuchenrither, as a controlling person of the Company, violated Section 20(a) of the Securities Exchange Act. The Amended Complaint does not assert any claims against Mr. Grimshaw. On February 25, 2016, defendants filed a motion to dismiss the lawsuit. The plaintiff filed an opposition to the motion to dismiss on April 11, 2016, and the defendants filed their reply on May 11, 2016. The Court held a hearing on the motion to dismiss on June 22, 2016.

On October 18, 2016, the Court granted the defendants' motion to dismiss and dismissed the Amended Complaint without prejudice. The Court gave the plaintiffs 20 days (until November 7, 2016) to file a further amended complaint. On November 4, 2016, the plaintiffs filed a Second Amended Consolidated Class Action Complaint ("Second Amended Complaint"). The Second Amended Complaint raises the same claims dismissed by the Court on October 18, 2016, except plaintiffs now seek to represent a class of purchasers of EZCORP's Class A Common Stock between November 7, 2013 and October 20, 2015 (instead of between November 6, 2012 and October 20, 2015). On December 5, 2016, defendants filed a motion to dismiss the Second Amended Compliant. The plaintiffs filed their opposition to the motion to dismiss on January 6, 2017, and the defendants filed their reply brief on January 20, 2017.

On May 8, 2017, the Court granted the defendants' motion to dismiss with regard to claims related to accounting errors relating to Grupo Finmart's bad debt reserve calculations for "nonperforming" loans, but denied the motion to dismiss with regard to claims relating to accounting errors related to certain sales of loan portfolios to third parties. The case is now in the discovery stage. We cannot predict the outcome of the litigation, but we intend to defend vigorously against all allegations and claims.

SEC Investigation — On October 23, 2014, we received a notice from the Fort Worth Regional Office of the SEC that it was conducting an investigation into certain matters involving EZCORP, Inc. The notice was accompanied by a subpoena, directing us to produce a variety of documents, including all minutes and materials related to Board of Directors and Board committee meetings since January 1, 2009 and all documents and communications relating to our historical advisory services relationship

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with Madison Park (the business advisory firm owned by Mr. Cohen) and LPG Limited (a business advisory firm owned by Lachlan P. Given, our current Executive Chairman of the Board). The SEC has also issued subpoenas to current and former members of our Board of Directors requesting production of similar documents, as well as to certain third parties, and has conducted interviews with certain individuals. We continue to cooperate fully with the SEC in its investigation.

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NOTE 15: SEGMENT INFORMATION

Segment information is prepared on the same basis that our chief operating decision maker reviews financial information for operational decision-making purposes. We currently report our segments as follows: U.S. Pawn — all pawn activities in the United States; Mexico Pawn — all pawn activities in Mexico and other parts of Latin America; and Other International — primarily our equity interest in the net income (loss) of Cash Converters International and consumer finance activities in Canada. There are no inter-segment revenues, and the amounts below were determined in accordance with the same accounting principles used in our consolidated financial statements.

	Fiscal Year Ended September 30, 2017					
	U.S. Pawn	Mexico Pawn	Other International	Total Segments	Corporate Items	Consolidated
	(in thousands)					
Revenues:						
Merchandise sales	$351,878	$62,957	$ 3	$414,838	$—	$ 414,838
Jewelry scrapping sales	48,203	2,986	—	51,189	—	51,189
Pawn service charges	238,437	34,643	—	273,080	—	273,080
Other revenues	219	645	7,983	8,847	—	8,847
Total revenues	638,737	101,231	7,986	747,954	—	747,954
Merchandise cost of goods sold	223,475	43,050	—	266,525	—	266,525
Jewelry scrapping cost of goods sold	41,434	2,497	—	43,931	—	43,931
Other cost of revenues	—	—	1,988	1,988	—	1,988
Net revenues	373,828	55,684	5,998	435,510	—	435,510
Operating expenses (income):						
Operations	259,977	36,211	8,448	304,636	—	304,636
Administrative	—	—	—	—	53,254	53,254
Depreciation and amortization	10,171	2,675	191	13,037	10,624	23,661
Loss on sale or disposal of assets	198	134	—	332	27	359
Interest expense	—	9	—	9	27,794	27,803
Interest income	—	(1,930)	—	(1,930)	(10,173)	(12,103)
Equity in net income of unconsolidated affiliate	—	—	(4,916)	(4,916)	—	(4,916)
Other income	(19)	(69)	(96)	(184)	(239)	(423)
Segment contribution	$103,501	$18,654	$ 2,371	$124,526		
Income from continuing operations before income taxes				$124,526	$(81,287)	$ 43,239

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	Fiscal Year Ended September 30, 2016					
	U.S. Pawn	Mexico Pawn	Other International	Total Segments	Corporate Items	Consolidated
	(in thousands)					
Revenues:						
Merchandise sales	$348,771	$60,331	$ 5	$409,107	$—	$ 409,107
Jewelry scrapping sales	47,810	2,282	21	50,113	—	50,113
Pawn service charges	229,893	31,907	—	261,800	—	261,800
Other revenues	331	385	8,769	9,485	—	9,485
Total revenues	626,805	94,905	8,795	730,505	—	730,505
Merchandise cost of goods sold	217,268	41,002	1	258,271	—	258,271
Jewelry scrapping cost of goods sold	40,138	1,885	16	42,039	—	42,039
Other cost of revenues	—	—	1,965	1,965	—	1,965
Net revenues	369,399	52,018	6,813	428,230	—	428,230
Operating expenses (income):						
Operations	255,321	38,481	7,585	301,387	—	301,387
Administrative	—	—	—	—	68,101	68,101
Depreciation and amortization	12,242	2,965	218	15,425	11,117	26,542
Loss on sale or disposal of assets	664	169	4	837	269	1,106
Restructuring	993	543	202	1,738	183	1,921
Interest expense	125	109	—	234	16,243	16,477
Interest income	(2)	(30)	—	(32)	(49)	(81)
Equity in net loss of unconsolidated affiliate	—	—	255	255	—	255
Impairment of investment	—	—	10,957	10,957	—	10,957
Other expense (income)	—	1,273	2	1,275	(73)	1,202
Segment contribution (loss)	$100,056	$8,508	$ (12,410)	$96,154		
Income from continuing operations before income taxes				$96,154	$(95,791)	$ 363

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	Fiscal Year Ended September 30, 2015					
	U.S. Pawn	Mexico Pawn	Other International	Total Segments	Corporate Items	Consolidated
	(in thousands)					
Revenues:						
Merchandise sales	$334,635	$65,408	$ 2,075	$402,118	$—	$ 402,118
Jewelry scrapping sales	54,343	3,267	363	57,973	—	57,973
Pawn service charges	216,211	30,993	—	247,204	—	247,204
Other revenues	945	1,021	10,739	12,705	—	12,705
Total revenues	606,134	100,689	13,177	720,000	—	720,000
Merchandise cost of goods sold	218,953	47,371	1,465	267,789	—	267,789
Jewelry scrapping cost of goods sold	42,845	2,954	267	46,066	—	46,066
Other cost of revenues		—	3,125	3,125	—	3,125
Net revenues	344,336	50,364	8,320	403,020	—	403,020
Operating expenses (income):						
Operations	244,232	43,927	6,780	294,939	—	294,939
Administrative	—	—	—	—	72,986	72,986
Depreciation and amortization	15,227	4,440	616	20,283	10,676	30,959
Loss (gain) on sale or disposal of assets	995	258	(1)	1,252	1,407	2,659
Restructuring	4,016	799	2,563	7,378	9,702	17,080
Interest expense	60	15	—	75	16,310	16,385
Interest income	(42)	(78)	—	(120)	(158)	(278)
Equity in net loss of unconsolidated affiliate	—	—	5,473	5,473	—	5,473
Impairment of investment	—	—	26,837	26,837	—	26,837
Other expense		1,988	7	1,995	192	2,187
Segment contribution (loss)	$79,848	$(985)	$ (33,955)	$44,908		
Loss from continuing operations before income taxes				$44,908	$(111,115)	$ (66,207)

The following table presents separately identified segment assets:

	U.S. Pawn	Mexico Pawn	Other International	Corporate	Total
	(in thousands)				
Assets as of September 30, 2017					
Pawn loans	$148,124	$21,118	$ —	$ —	$169,242
Pawn service charges receivable, net	28,258	3,290	—	—	31,548
Inventory, net	132,549	21,859	3	—	154,411
Total assets	611,489	82,813	50,462	279,599	1,024,363
Assets as of September 30, 2016					
Pawn loans	$149,791	$17,538	$ —	$ —	$167,329
Pawn service charges receivable, net	28,368	2,694	—	—	31,062
Inventory, net	121,183	19,038	3	—	140,224
Total assets	596,842	66,082	41,775	278,545	983,244

The net assets of our Mexico Pawn segment, exclusive of intercompany amounts and inclusive of certain other assets not separately identified above, were $84.5 million as of September 30, 2017.

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The following tables provide geographic information required by ASC 280-10-50-41:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Revenues:			
United States	$638,737	$626,805	$606,134
Mexico	101,231	94,905	100,689
Canada	7,986	8,795	13,177
Total revenues	$747,954	$730,505	$720,000

	September 30,	
	2017	2016
	(in thousands)	
Long-lived assets:		
United States	$326,736	$326,347
Mexico	17,033	15,893
Canada and Other	1,370	872
Total long-lived assets	$345,139	$343,112

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NOTE 16: SUPPLEMENTAL CONSOLIDATED FINANCIAL INFORMATION AND DISCONTINUED OPERATIONS

Supplemental Consolidated Financial Information

The following table provides information on net amounts included in our consolidated balance sheets:

	September 30,	
	2017	2016
	(in thousands)	
Gross pawn service charges receivable	$42,117	$41,458
Allowance for uncollectible pawn service charges receivable	(10,569)	(10,396)
Pawn service charges receivable, net	$31,548	$31,062
Gross inventory	$161,212	$146,367
Inventory reserves	(6,801)	(6,143)
Inventory, net	$154,411	$140,224
Restricted cash	$—	$3,000
Consumer loans, net	2,615	2,111
Consumer loan fees and interest receivable, net	134	130
Guarantee asset	—	1,209
Accounts receivable	11,165	15,774
Income taxes receivable	2,804	2,533
Prepaid expenses and other	12,047	11,088
Prepaid expenses and other current assets	$28,765	$35,845
Other assets	$3,124	$2,658
Restricted cash	—	4,089
2019 Convertible Notes Hedges	6,591	37,692
Other assets	$9,715	$44,439
Trade accounts payable	$13,064	$21,953
Accrued payroll	4,860	4,638
Bonus accrual	9,010	17,946
Other payroll related expenses	3,922	3,485
Accrued interest	2,212	1,856
Accrued rent and property taxes	11,357	11,201
Deferred revenues	2,483	2,852
Other accrued expenses*	8,310	14,939
Income taxes payable	1,465	2,406
Unrecognized tax benefits	4,860	—
Guarantee liability	—	1,258
Restructuring reserve	—	1,751
Account payable, accrued expenses and other current liabilities	$61,543	$84,285
Unrecognized tax benefits, non-current	$1,758	$6,416
Other long-term liabilities	5,297	4,034
Other long-term liabilities	$7,055	$10,450

* Includes provision for closed stores and accrued lease termination costs, exclusive of stores closed associated with restructuring actions, of $5.2 million as of September 30, 2016.

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Discontinued Operations

Fiscal 2016

In September 2016 we completed the sale of all of our interests in Grupo Finmart to AlphaCredit. The information presented below includes the assets, liabilities, revenues and expenses of variable interest entities which were deconsolidated as a result of the sale of Grupo Finmart. As a result of the decision to sell the Grupo Finmart business, we classified Grupo Finmart as held for sale as of June 30, 2016 and recast all segment operations of Grupo Finmart as discontinued operations. As of the completion of the disposition, Grupo Finmart is no longer a subsidiary of EZCORP and neither Grupo Finmart nor AlphaCredit is considered to be a related party to EZCORP. See Note 5 for additional information regarding our continuing involvement with Grupo Finmart.

The following table presents the reconciliation of the major line items constituting "Loss from discontinued operations, net of tax" of Grupo Finmart and other operations discontinued prior to the adoption of ASU 2014-08 that are presented in the consolidated statements of operations, excluding immaterial amounts in fiscal 2017:

	Fiscal Year Ended September 30,	
	2016	2015
	(in thousands)	
Revenues	$45,256	$68,369
Consumer loan bad debt	(30,081)	(26,446)
Operations expense	(111,984)	(32,664)
Interest expense, net	(16,464)	(24,487)
Depreciation, amortization and other expenses	(12,732)	(7,008)
Gain on disposition	34,237	—
Loss from discontinued operations before income taxes of Grupo Finmart	(91,768)	(22,236)
Income tax benefit	12,896	7,508
Loss from discontinued operations, net of tax of operations discontinued prior to the adoption of ASU 2014-08	(560)	(27,317)
Loss from discontinued operations, net of tax	$(79,432)	$(42,045)
Loss from discontinued operations, net of tax of Grupo Finmart	$(78,872)	$(14,728)
Loss from discontinued operations, net of tax of Grupo Finmart attributable to noncontrolling interest	6,661	4,150
Loss from discontinued operations, net of tax of Grupo Finmart attributable to EZCORP, Inc.	$(72,211)	$(10,578)

There were immaterial cash flows from Grupo Finmart operating and investing activities for fiscal 2017. Cash flows from Grupo Finmart operating activities for fiscal 2016 and 2015 were $2.2 million and $11.1 million, respectively. Cash flows from Grupo Finmart investing activities for fiscal 2016 and 2015 were $42.7 million and $(41.1) million, respectively.

Fiscal 2015

During the fourth quarter of fiscal 2015, in the context of a transformational change in strategy following an intensive six-month review of all Company activities, we implemented a plan that included:

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

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The following table summarizes the pre-tax charges pertaining to the above discontinued operations in fiscal 2015, in thousands:

Goodwill impairment	$10,550
Long-lived assets impairment	1,685
Other (a)	21,045
Asset disposals	7,443
Lease termination costs	1,720
	$42,443

(a) Includes a $10.5 million one-time charge associated with the settlement of outstanding issues with the U.S. Consumer Financial Protection Bureau and a $4.0 million charge related to the resolution of regulatory compliance issues in our Cash Genie U.K online lending business, which was a part of fiscal 2014 discontinued operations, in addition to employee severance and accelerated amortization of prepaid expenses and other assets.

Total revenue included in "Loss from discontinued operations, net of tax" was $2.1 million and $124.7 million during fiscal 2016 and 2015, respectively, exclusive of Grupo Finmart revenue.

Valuation and Qualifying Accounts

The following table provides information on our valuation and qualifying accounts not disclosed elsewhere:

Description	Balance at Beginning of Period	Additions: Charged to Expense	Additions: Charged to Revenue	Deductions	Balance at End of Period
	(in thousands)				
Allowance for valuation of inventory:					
Year Ended September 30, 2017	$6,143	$658	$ —	$ —	$6,801
Year Ended September 30, 2016	7,090	—	—	947	6,143
Year Ended September 30, 2015	16,043	—	—	8,953	7,090
Allowance for uncollectible pawn service charges receivable:					
Year Ended September 30, 2017	$10,396	$—	$ 173	$ —	$10,569
Year Ended September 30, 2016	9,025	—	1,371	—	10,396
Year Ended September 30, 2015	10,307	—	—	1,282	9,025
Allowance for uncollectible consumer loan fees and interest receivable:					
Year Ended September 30, 2017	$241	$—	$ 42	$ —	$283
Year Ended September 30, 2016	12,045	—	—	11,804 *	241
Year Ended September 30, 2015	13,685	—	—	1,640	12,045
Allowance for valuation of deferred tax assets:					
Year Ended September 30, 2017	$21,078	$—	$ —	$ 3,218	$17,860
Year Ended September 30, 2016	19,567	1,511	—	—	21,078
Year Ended September 30, 2015	14,721	4,846	—	—	19,567

* Includes $9.2 million in allowance that was deconsolidated as a result of the disposition of Grupo Finmart as discussed above.

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NOTE 17: QUARTERLY INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share amounts)			
Year Ended September 30, 2017				
Total revenues	$192,624	$189,628	$183,633	$182,069
Net revenues	111,965	109,897	105,555	108,093
Income from continuing operations, net of tax	8,266	8,231	5,467	10,069
Income (loss) from discontinued operations, net of tax	(1,228)	(375)	(265)	43
Net income	7,038	7,856	5,202	10,112
Net loss attributable to noncontrolling interest	(127)	(167)	(58)	(1,298)
Net income attributable to EZCORP, Inc.	$7,165	$8,023	$5,260	$11,410
Basic earnings per share attributable to EZCORP, Inc.:				
Continuing operations	$0.15	$0.15	$0.10	$0.21
Discontinued operations	(0.02)	(0.01)	—	—
Basic earnings per share	$0.13	$0.14	$0.10	$0.21
Diluted earnings per share attributable to EZCORP, Inc.:				
Continuing operations	$0.15	$0.15	$0.10	$0.21
Discontinued operations	(0.02)	(0.01)	—	—
Diluted earnings per share	$0.13	$0.14	$0.10	$0.21

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share amounts)			
Year Ended September 30, 2016				
Total revenues	$187,557	$188,213	$170,150	$184,585
Net revenues	112,610	108,365	100,394	106,861
(Loss) income from continuing operations, net of tax	3,419	2,307	2,778	(17,502)
Income (loss) from discontinued operations, net of tax	(11,685)	(78,250)	(9,133)	19,636
Net income (loss)	(8,266)	(75,943)	(6,355)	2,134
Net loss attributable to noncontrolling interest	(792)	(5,131)	(666)	(1,097)
Net income (loss) attributable to EZCORP, Inc.	$(7,474)	$(70,812)	$(5,689)	$3,231
Basic earnings (loss) per share attributable to EZCORP, Inc.:				
Continuing operations	$0.06	$0.05	$0.05	$(0.31)
Discontinued operations	(0.19)	(1.34)	(0.16)	0.37
Basic earnings (loss) per share	$(0.13)	$(1.29)	$(0.11)	$0.06
Diluted earnings (loss) per share attributable to EZCORP, Inc.:				
Continuing operations	$0.06	$0.05	$0.05	$(0.31)
Discontinued operations	(0.19)	(1.34)	(0.16)	0.37
Diluted earnings (loss) per share	$(0.13)	$(1.29)	$(0.11)	$0.06

Financial information in the table above has been adjusted to reflect reclassification of all discontinued operations as discussed in Note 16.

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Fiscal 2017 Quarterly Impacts

During the fourth quarter of fiscal 2017, we recorded a gain of $3.0 million included under “Interest income” in our consolidated statements of operations as a result of the amendment of notes receivable from Grupo Finmart, as further discussed in Note 5.

During the fourth quarter of fiscal 2017, we recorded an extinguishment loss of $5.3 million included under “Interest expense” in our consolidated statements of operations as a result of the repurchase and retirement of $35 million aggregate principal amount of 2019 Convertible Notes and the full retirement of our Term Loan Facility using proceeds from the issuance of our 2024 Convertible Senior Notes, as further discussed in Note 8.

Fiscal 2016 Quarterly Impacts

During the second quarter of fiscal 2016, we recorded an impairment in goodwill of $73.2 million pertaining to discontinued operations as further discussed in Note 7.

We recorded a gain of $34.2 million, before consideration of total associated transaction costs of approximately $9.8 million, with approximately $1.8 million of the total costs to be recorded in future periods due to ongoing employee service requirements, and a $2.1 million loss on assumption of existing Grupo Finmart debt, during the fourth quarter of fiscal 2016 on disposition of Grupo Finmart as further discussed in Note 16, included in discontinued operations.

During the fourth quarter of fiscal 2016, we recorded an impairment of our unconsolidated affiliate of $11.0 million ($7.2 million, net of taxes), as further discussed in Note 4. Further, our equity in net loss of unconsolidated affiliate during the fourth quarter of fiscal 2016 included pre-tax charges totaling $11.8 million including restructuring costs, compliance provision and other.

NOTE 18: SUBSEQUENT EVENTS

On October 6, 2017, we completed the acquisition of 100% of the outstanding stock of Camira Administration Corp. and subsidiaries (“GPMX”), a business that owns and operates 112 stores located in Guatemala, El Salvador, Honduras and Peru. The GPMX acquisition significantly expands our store base into Latin American countries outside of Mexico and provides us with a platform for further growth in the region. We paid $53.4 million in cash upon closing, with an additional $2.25 million to be paid contingent upon performance of GPMX’s business during the 24 months following the closing date. At the time of closing, GPMX owed $6.6 million in indebtedness to members of the seller’s affiliated group, and under the terms of the stock purchase agreement, GPMX repaid such indebtedness during October 2017. The initial accounting for the business combination was incomplete as of the date these financial statements were issued, due to efforts required to finalize the purchase price and related allocation to acquired assets and liabilities at fair values. We have incurred $1.2 million in acquisition-related costs through September 30, 2017, which were expensed as incurred and included under “Administrative” expense in our consolidated statements of operations.

ITEM 9 — CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A — CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

In connection with the preparation of this Annual Report on Form 10-K, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2017. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2017.

Management's Report on Internal Control Over Financial Reporting

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

In connection with the preparation of this Annual Report on Form 10-K, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an assessment of the effectiveness of our internal control over financial reporting as of September 30, 2017 based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was effective as of September 30, 2017.

Our internal control over financial reporting as of September 30, 2017 has been audited by our independent registered public accounting firm, as stated in their report appearing on the next page.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of
EZCORP, Inc.
Rollingwood, Texas

We have audited EZCORP, Inc.'s internal control over financial reporting as of September 30, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). EZCORP, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, EZCORP, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of EZCORP, Inc. as of September 30, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2017 and our report dated November 15, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Dallas, Texas

November 15, 2017

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Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of fiscal 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Internal Controls

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

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

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

ITEM 9B — OTHER INFORMATION

None.

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PART III

ITEM 10 — DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board of Directors

Set forth below are the names of the persons who, as of November 1, 2017, constituted our Board of Directors and their ages and committee assignments as of that date:

Name	Age	Committees
Matthew W. Appel	61	Audit (Chair)
Santiago Creel Miranda	63	Compensation
Peter Cumins	66	—
Lachlan P. Given (Executive Chairman)	41	Compensation
Stuart I. Grimshaw	56	—
Pablo Lagos Espinosa	62	Audit, Compensation (Chair)
Thomas C. Roberts	75	Audit, Compensation
Joseph L. Rotunda	70	—

Director Qualifications — The Board believes that individuals who serve on the Board should have demonstrated notable or significant achievements in business, education or public service; should possess the requisite intelligence, education and experience to make a significant contribution to the Board and bring a range of skills, diverse perspectives and backgrounds to its deliberations; and should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of our stockholders. The following are qualifications, experience and skills for Board members which are important to our business and its future:

- Leadership Experience — Our directors should demonstrate extraordinary leadership qualities. Strong leaders bring vision, strategic agility, diverse and global perspectives and broad business insight to the company. They demonstrate practical management experience, skills for managing change and deep knowledge of industries, geographies and risk management strategies relevant to our business. They have experience in identifying and developing the current and future leaders of the company.
- Finance Experience — We believe that all directors should possess an understanding of finance and related reporting processes.
- Strategically Relevant Experience — Our directors should have business experience that is relevant to our strategic goals and objectives, including geographical and product expansion. We value experience in our high priority growth areas, including new or expanding geographies or customer segments and existing and new technologies; understanding of our business environments; and experience with, exposure to or reputation among a broad subset of our customer base.
- Government Experience — Our business is subject to a variety of legislative and regulatory risks. Accordingly, we value experience in the legislative, judicial or regulatory branches of government or government relations.

Biographical Information — Set forth below is current biographical information about our directors, including the qualifications, experience and skills that make them suitable for service as a director.

- Matthew W. Appel — Mr. Appel joined EZCORP as a director in January 2015 and is Chair of the Audit Committee. Mr. Appel spent 37 years in finance, administration and operations roles with a variety of companies, most recently Zale Corporation, an NYSE listed jewelry retailer, where he served as Chief Financial Officer from May 2009 to May 2011 and Chief Administrative Officer from May 2011 to July 2014 and co-led the successful turnaround of the company. Prior to joining Zale, Mr. Appel was Chief Financial Officer of EXL Service Holdings, Inc., a NASDAQ listed business process solutions company (February 2007 to May 2009); spent four years (February 2003 to February 2007) at Electronic Data Systems Corporation, serving as Vice President, Finance and Administration BPO and Vice President, BPO Management; and held a variety of finance and operations roles from 1984 to 2003 at Tenneco Inc., Affiliated Computer Services, Inc. and PricewaterhouseCoopers. Mr. Appel began his professional career with Arthur Andersen & Company, working there from 1977 to 1984. Mr. Appel received an MBA in Accounting from the Rutgers University

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Graduate School of Business in 1977 and a Business Administration degree from Rutgers College in 1976. Mr. Appel is a Certified Public Accountant and a Certified Management Accountant.

Director qualifications: leadership, chief financial officer and executive management experience; broad business and strategically relevant experience; retail management experience; financial experience, including accounting, tax and financial reporting; experience in developing growth strategies; personnel development.

- Santiago Creel Miranda — Mr. Creel joined EZCORP as a director in January 2014 and is a member of the Compensation Committee. Mr. Creel is a former Senator of Mexico, having served from 2006 to 2012. During his term, he acted as Speaker of the Senate and Chairman of the Senate's Political Coordination Committee. Prior to being elected to the Senate, Mr. Creel served as Secretary of Governance in President Vicente Fox's administration from 2000 to 2005 and as a Federal Deputy (Congressman) in the 57th Congress, where he was Vice Speaker of the Chamber of Deputies and chaired the Government and Constitutional Issues Committee. Mr. Creel practiced law with the firm of Noriega y Escobedo in Mexico City for almost 20 years, and has been a legal consultant to many companies, both domestic and foreign, as well as to international organizations and to the Mexican government. Mr. Creel is now a member of the governing body of Pacto por México, which sponsors an extensive agenda of political, economic and structural changes in Mexico.

Director qualifications: leadership experience; experience in developing, implementing and managing strategic plans; understanding of our unique business environment; government service experience.

- Peter Cumins — Mr. Cumins joined EZCORP as a director in July 2014. He is the Executive Deputy Chairman, and serves on the board of directors, of Cash Converters International Limited (ASX: CCV), a public company headquartered in Perth, Western Australia. Cash Converters International owns and franchises retail and financial services stores in 21 countries. EZCORP owns approximately 32% of the outstanding ordinary shares of Cash Converters International. Mr. Cumins joined Cash Converters International in August 1990 as Finance and Administration Manager, became General Manager in March 1992 and served as Managing Director from April 1995 to January 2017, when he became Executive Deputy Chairman. During his tenure as Managing Director, Mr. Cumins oversaw the major growth in the number of company-owned and franchised locations in Australia, as well as the international development of the Cash Converters International franchise system. Mr. Cumins is a qualified accountant, and his experience in the management of large organizations has included senior executive positions in the government health sector, specifically with the Fremantle Hospital Group, where he was Finance and Human Resources Manager.

Director qualifications: leadership and executive management experience; retail management experience; deep understanding of consumer businesses and customer service strategies; risk management experience; financial experience; experience in developing, implementing and managing strategic plans; personnel development; deep understanding of conducting business in highly regulated environments.

- Lachlan P. Given — Mr. Given was appointed to the Board of Directors as Non-Executive Chairman in July 2014, became Executive Vice Chairman in August 2014 and Executive Chairman in February 2015. Mr. Given serves on the Compensation Committee. He is the sole beneficial owner of LPG Limited (HK), a business and financial advisory firm, and prior to assuming the role of Executive Vice Chairman of EZCORP, provided international financial and advisory services to a number of companies, including EZCORP from October 2012 to June 2014. Since 2004, Mr. Given has also served as a consultant and advisor to Madison Park LLC, which has, in the past, provided certain advisory services to the Company. Madison Park is wholly owned by Phillip E. Cohen, who is the beneficial owner of all of our Class B Voting Common Stock. Mr. Given is also a director of The Farm Journal Corporation, a 134-year old pre-eminent U.S. agricultural media company; Senetas Corporation Limited (ASX: SEN), the world's leading developer and manufacturer of certified, defense-grade encryption solutions; CANSTAR Pty Ltd, the leading Australian financial services ratings and research firm; and TAB Products Co. LLC, a leading North American records management company. Mr. Given began his career working in the investment banking and equity capital markets divisions of Merrill Lynch in Hong Kong and Sydney, Australia, where he specialized in the origination and execution of a variety of M&A, equity, equity-linked and fixed income transactions. Mr. Given also serves on the board of directors of Cash Converters International Limited.

Director qualifications: broad business experience; financial experience and expertise; international experience and global perspective; industry knowledge; experience in developing growth strategies; understanding of our unique business environment.

- Stuart I. Grimshaw — Mr. Grimshaw joined EZCORP in November 2014 as Executive Chairman and a member of the Board of Directors. He became Chief Executive Officer in February 2015. Prior to joining EZCORP, he was Managing Director and Chief Executive Officer of Bank of Queensland Limited (ASX: BOQ), a consumer banking and financial services institution with branches in every Australian state and territory. During his 30-year career in financial services,

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Mr. Grimshaw held a wide variety of other roles at various banking and finance companies. From 2009 to 2011, he was Chief Executive Officer of Caledonia Investments Pty Ltd. Prior to that, Mr. Grimshaw spent eight years at Commonwealth Bank of Australia, where he served as Group Executive, Premium Business Services (2006 to 2009), Group Executive, Wealth Management (2002 to 2006) and Chief Financial Officer (2001 to 2002). From 1991 to 2001, Mr. Grimshaw held a variety of roles at National Australia Bank (including Chief Executive Officer – Great Britain, and other executive roles in Credit, Institutional Banking, Corporate Financial Services and Global Business Financial Services). Mr. Grimshaw began his career at Australia and New Zealand Banking Group (1983 to 1991). Mr. Grimshaw represented New Zealand in Field Hockey at the 1984 Olympics and has a Bachelor of Commerce and Administration degree from Victoria University in Wellington, New Zealand and an MBA from Melbourne University. He has also completed the Program for Management Development at Harvard Business School. Mr. Grimshaw also serves as non-executive chairman of the board of directors of Cash Converters International Limited.

Director qualifications: leadership, chief executive officer and executive management experience; broad business and strategically relevant experience; financial experience; international experience and global perspective; industry knowledge; experience in developing growth strategies; personnel development; deep understanding of conducting business in highly regulated environments.

- Pablo Lagos Espinosa — Mr. Lagos joined EZCORP as a director in October 2010. He is Chair of the Compensation Committee and a member of the Audit Committee. Mr. Lagos served as President and Chief Executive Officer of Pepsi Bottling Group Mexico from 2006 to 2008 and as its Chief Operating Officer from 2003 to 2006. He previously held various executive management positions with Pepsi Bottling Group, PepsiCo Inc., Unilever Mexico and PepsiCola International, Inc., concentrating exclusively in Latin America. Since his retirement in December 2008, Mr. Lagos has been an investor and consultant in various private business ventures mainly in real estate development and senior living residential services, and has served as a keynote speaker on organizational leadership and management. He currently serves as Chairman of the Board and Executive President for the Mexican subsidiary of Areas, a Spanish global organization dedicated to restaurant and retailing operations in key public transportation hubs, and as Chairman of the board of Casa del Parque, a privately held enterprise focused on developing senior living residences in Mexico. He is also a member of the Mexican Advisory Board for Niagara Waters, a leading manufacturer of bottled water in the U.S. and Mexico.

Director qualifications: leadership, chief executive officer and executive management experience in significant multi-national environments; deep understanding of strategically important geographies and international markets; risk management experience; financial experience; experience in developing, implementing and managing strategic plans, including international expansion; personnel development; legislative and government relations experience

- Thomas C. Roberts — Mr. Roberts rejoined the Board of Directors of EZCORP in July 2014 and currently serves as a member of the Audit Committee and the Compensation Committee. He previously served as a director of the Company from January 2005 to January 2014 and was Lead Director from November 2008 to September 2013. He also served as a member of both the Audit and Compensation Committees until September 2013. Since 1990, Mr. Roberts has been a private investor and served as the Chairman of the Board of Directors of Pensco, Inc., a financial services company in which he held a significant ownership position, between 1990 and April 2016. Previously, he served as a senior executive, including Chief Financial Officer, of Schlumberger, Ltd. from 1970 to 1985 and President of Control Data Computer Systems and Services, as well as a member of Control Data Corporation’s Board of Directors (1985 to 1989).

Director qualifications: leadership experience; chief financial officer, chief executive officer and general management experience in significant and complex multi-national environments; deep understanding of strategically important geographies and international markets; risk management experience; financial expertise; experience in developing, implementing and managing strategic plans, including international expansion; personnel development.

- Joseph L. Rotunda — Mr. Rotunda currently serves as Chief Operating Officer, having been appointed to that position in October 2016. Mr. Rotunda has a relationship with the Company that spans the past 17 years. Mr. Rotunda joined EZCORP as President and Chief Operating officer and a director in February 2000 and was promoted to Chief Executive Officer in August 2000. He retired from that position, and as a member of the Board of Directors, in October 2010 and became a consultant to the Company pursuant to a five-year consulting agreement. That agreement was mutually terminated in November 2013. Mr. Rotunda rejoined the Board of Directors in July 2014, and assumed an executive role in May 2015 when he was appointed President, North American Pawn. Prior to joining EZCORP in 2000, Mr. Rotunda was the Chief Operating Officer of G&K Services, Inc. (1998 to 2000) and held several executive positions, including Executive Vice President and Chief Operating Officer, with Rent-A-Center, Inc. (1991 to 1998). Mr. Rotunda served as a director of EasyHome Ltd. of Toronto, Canada from 2000 until 2010 and as a member of the board of directors of eCommission Financial Services, Inc., headquartered in Austin, Texas, until its sale in 2017.

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Director qualifications: leadership, chief executive officer and executive management experience; retail management experience; deep understanding of consumer businesses and customer service strategies; risk management experience; financial experience; experience in developing, implementing and managing strategic plans; personnel development; deep understanding of conducting business in highly regulated environments; understanding of our unique business environment.

Executive Officers

Set forth below are the name, age and position of each of the persons serving as our executive officers as of November 1, 2017:

Name	Age	Title
Stuart I. Grimshaw	56	Chief Executive Officer
Lachlan P. Given	41	Executive Chairman
Scott Alomes	58	Chief Human Resources Officer & New Ventures
Daniel M. Chism	49	Chief Financial Officer
Mark DeBenedictus	56	Chief Customer Experience Officer
David John Hurrell	56	Chief Information Officer
Fransisco Kuthy	52	General Manager, Empeño Fácil
Joseph L. Rotunda	70	Chief Operating Officer
Jacob Wedin	46	Chief Business Development Officer
Thomas H. Welch, Jr.	62	Chief Legal Officer and Secretary

Set forth below is current biographical information about our executive officers, except for Mr. Grimshaw, Mr. Given and Mr. Rotunda, whose biographical information is included under “Board of Directors” above.

Scott Alomes — Mr. Alomes joined EZCORP as Chief Human Resources Officer in March 2015. In October 2016, Mr. Alomes was assigned management oversight responsibility for the Company’s CashMax business in Canada, as well as all new ventures, and his title was changed to Chief Human Resources Officer & New Ventures. He has more than 30 years of experience and has spent his entire career in Human Resources for the financial services industry. He joined EZCORP from Crowe Horwath Australia, where he was HR Leader in the Southern Region for this large provider of accounting, audit, tax business and financial advice to individuals and businesses in Australia. Mr. Alomes has also held HR leadership roles at ClearView Wealth Limited (investments and life insurance products in Australia), Suncorp (banking and wealth management in Australia and New Zealand), Commonwealth Bank and National Australia Bank.

Daniel M. Chism — Mr. Chism rejoined EZCORP as Chief Financial Officer in May 2017. He has over 20 years of accounting, finance and business experience in the pawn industry, with 12 of those years at EZCORP. He served as EZCORP’s Controller from August 1999 to October 2009, when he was promoted to Vice President, Finance and Chief Accounting Officer. He served in that position for two years until he left the company in October 2011. Mr. Chism further previously served as interim Chief Financial Officer from May 2010 to November 2010. After leaving the company, Mr. Chism co-founded, and served as Executive Vice President and Chief Financial Officer of, Cash Solutions Centers, LLC, a privately-held owner and operator of pawnshops and financial services stores. From May 2015 to July 2016, Mr. Chism also served as Executive Vice President - Chief Financial Officer of Gatsby Investments, LLC, a privately-held holding company, as well as Chief Financial Officer to two consumer products companies in the Gatsby Investments portfolio. Mr. Chism began his professional career at Ernst & Young, where he served as Audit Manager on EZCORP’s account. He holds a Bachelor of Business Administration degree in Accounting and a Master in Professional Accounting degree from the University of Texas at Austin, and is a Certified Public Accountant and a Chartered Global Management Accountant.

Mark DeBenedictus — Mr. DeBenedictus joined EZCORP as Chief Customer Experience Officer in May 2017, after having served as a strategic IT consultant for three months. Mr. DeBenedictus is responsible for executive oversight of the Company’s strategic and operational information technology function and for overseeing the Company’s developing and evolving businesses. Prior to joining EZCORP, Mr. DeBenedictus was founding partner and Chief Operating Officer of Repatriate Advisory Solutions LLC, an IT transformation specialist that assists companies in the evaluation and modification of IT and business process outsourcing arrangements. Prior to forming Repatriate Advisory Solutions in 2016, Mr. DeBenedictus spent five years with American International Group (AIG) as Senior Vice President, Global Infrastructure Services, and over twenty years in a variety of capacities with Electronic Data Services (EDS) and related companies, including Vice President, Global Financial Services; Vice President, U.S. Financial Services; Global Vice President, Service Delivery, Australia and New

Zealand; Managing Director, Credit Services; and Client Delivery Executive. Mr. DeBenedictus received a Bachelor of Arts degree in Computer Science from the State University of New York.

David John Hurrell — Mr. Hurrell joined EZCORP in August 2014 as Vice President, Systems Development and was promoted to Chief Information Officer in February 2016. Prior to joining EZCORP, Mr. Hurrell spent 15 years with Cash America International, Inc., most recently serving as Senior Vice President responsible for New Systems Development and Business Transformation services. Mr. Hurrell started in the pawn industry as an IT Director with H&T Group Plc, which operates pawn stores in the U.K. under the Harvey & Thompson brand. Prior to that, he held senior IT management positions with The Rank Organization and Bass Leisure.

Francisco J. Kuthy Saenger — Mr. Kuthy joined EZCORP in November 2013 as Senior Vice President of Operations for our Mexico Pawn operations, Empeño Fácil, and was promoted to General Manager of that business in May 2014. Prior to joining EZCORP, Mr. Kuthy spent over three years (May 2010 to November 2013) as General Manager of Farmacias Dermatologicas, S.A. de C.V., Mexico's leading retailer of dermatology and derma-cosmetic consumer products; and six years with Comercial Mexicana, a large retail chain in Mexico, serving as Chief Operating Officer Bodega Comercial Mexicana (2006 to 2010) and District Manager Comercial Mexicana Bajio (May 2004 to 2006). Mr. Kuthy held previous positions in business development, sales administration, operations and field management with Bachoco, S.A. de C.V. (1997 to 2004), Sabritas, S.A. de C.V. (1997) and Wal-Mart's Mexican subsidiary (1989 to 1997).

Jacob Wedin — Mr. Wedin joined EZCORP in May 2015 as Chief Product & Process Officer. Prior to joining us, Mr. Wedin was the CEO of the Mexico Division at Bayport Financial Services, a provider of consumer financial services, including short, medium and long-term loans, where he led Bayport's expansion into Mexico. Prior to that, he was Bayport's Business Development Executive in Latin America. Prior to joining Bayport, he served as a representative of the Swedish Trade Commissions for several countries in Latin American and the Caribbean, based in Brazil. He is a native of Sweden and received his MBA from the American International University in London.

Thomas H. Welch, Jr. — Mr. Welch joined EZCORP in April 2009 as Senior Vice President, General Counsel and Secretary, with his title changing to Chief Legal Officer and Secretary in May 2017. He joined Dell Inc.'s legal department in 1995, and served as Vice President, Legal and General Corporate Counsel from April 1999 to April 2008. Mr. Welch was principally responsible for legal support of Dell's corporate securities, corporate finance, mergers and acquisitions, financial services, executive compensation and benefits, facilities, corporate governance and general corporate matters. From 1992 to 1995, Mr. Welch was Vice President - Corporate Development of Parker & Parsley Petroleum Company (predecessor to Pioneer Natural Resources Company), and previously was a shareholder with the law firm of Johnson & Gibbs, P.C., Dallas, Texas.

Section 16(a) Beneficial Ownership Reporting Compliance

Based on written representations and a review of the relevant Forms 3, 4 and 5, during fiscal 2017, all persons subject to Section 16 of the Securities Exchange Act of 1934 with respect to EZCORP timely filed all reports required by Section 16(a) of the Securities Exchange Act.

Code of Conduct

We maintain a Code of Conduct that is applicable to all of our employees, including our chief executive officer, chief financial officer and chief accounting officer. That Code of Conduct, which satisfies the requirements of a "code of ethics" under applicable SEC rules, contains written standards that are designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest; full, fair, accurate, timely and understandable public disclosures and communications, including financial reporting; compliance with applicable laws, rules and regulations; prompt internal reporting of violations of the code, and accountability for adherence to the code. A copy of the Code of Conduct is posted in the Investor Relations section of on our website at www.ezcorp.com

We will post any waivers of the Code of Conduct, or amendments thereto, that are applicable to our chief executive officer, our chief financial officer or chief accounting officer in the Investor Relations section of our website at www.ezcorp.com. To date, there have been no such waivers.

Corporate Governance

Controlled Company Exemptions — The Nasdaq Listing Rules contain several corporate governance requirements for Nasdaq-listed companies. These requirements generally relate to the composition of the board and its committees. For example, the rules require the following:

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- A majority of the directors must be independent (Rule 5605(b)(1));
- The audit committee must have a least three members, each of whom must be independent (Rule 5605(c)(2));
- Executive officer compensation must be determined, or recommended to the board of directors for determination, by either (1) a majority of the independent directors or (2) a compensation committee comprised solely of independent directors (Rule 5605(d)); and
- Director nominations must be selected, or recommended for the board's selection, by either (1) a majority of the independent directors or (2) a nominations committee comprised solely of independent directors (Rule 5605(e)).

Rule 5615(c)(2), however, provides that a "Controlled Company" is exempt from the requirement to have a majority of independent directors and from the requirements to have independent director oversight over executive compensation and director nominations. The Listing Rules define a "Controlled Company" as a company of which more than 50% of the voting power for the election of directors is held by an individual, a group or another company. EZCORP is a "Controlled Company" within this meaning by virtue of the fact that 100% of the outstanding Class B Voting Common Stock (the only class of voting securities outstanding) is held of record by MS Pawn Limited Partnership and beneficially by Phillip E. Cohen. See "Part III, Item 10 — Directors, Executive Officers and Corporate Governance — Corporate Governance — Committees of the Board" and "Part III, Item 13 — Certain Relationships and Related Transactions and Director Independence — Director Independence."

Committees of the Board — The Board of Directors maintains the following committees to assist it in its oversight responsibilities. The current membership of each committee is indicated in the list of directors set forth under "Board of Directors" above.

- Audit Committee — The Audit Committee assists the Board in fulfilling its responsibility to provide oversight with respect to our financial statements and reports and other disclosures provided to stockholders, the system of internal controls, the audit process and legal and ethical compliance. Its primary duties include reviewing the scope and adequacy of our internal and financial controls and procedures; reviewing the scope and results of the audit plans of our independent and internal auditors; reviewing the objectivity, effectiveness and resources of the internal audit function; appraising our financial reporting activities and the accounting standards and principles followed; and reviewing and approving ethics and compliance policies. The Audit Committee also selects, engages, compensates and oversees our independent auditor and pre-approves all services to be performed by the independent auditing firm.

The Audit Committee is comprised entirely of directors who satisfy the standards of independence described under "Part III, Item 13 — Certain Relationships and Related Transactions, and Director Independence — Director Independence," as well as additional or supplemental independence standards applicable to audit committee members established under applicable law and Nasdaq listing requirements. The Board has determined that each Audit Committee member meets the Nasdaq "financial literacy" requirement and that Mr. Appel, Chair of the committee, is a "financial expert" within the meaning of the current rules of the SEC.

- Compensation Committee — The Compensation Committee reviews and approves, on behalf of the Board, the amounts and types of compensation to be paid to our executive officers; reviews and recommends to the full Board the amount and type of compensation to be paid to our non-employee directors; reviews and approves, on behalf of the Board, all bonus and equity compensation to be paid to our other employees; and administers our stock compensation plans. Since September 2014, pursuant to the Nasdaq Controlled Company exemption described above, Mr. Given, our Executive Chairman and a non-independent director, has served on the Compensation Committee. See "Part III, Item 11 — Executive Compensation — Compensation Discussion and Analysis — Composition of the Compensation Committee." The committee has formed an "independent subcommittee," consisting solely of independent directors, to consider and approve any items of compensation that are required to be approved solely by "independent," "non-employee" or "outside" directors.

The Audit Committee and the Compensation Committee are governed by written charters, copies of which can be found in the Investor Relations section of our website at www.ezcorp.com.

Because all of our voting stock is beneficially owned by Phillip E. Cohen and pursuant to the Nasdaq Controlled Company exemption described above, we do not currently maintain a standing nominating committee of the Board of Directors. In the absence of a nominating committee, the full Board of Directors typically evaluates and considers director nominees, fills vacant positions on the Board and, on an annual basis, recommends nominees for election or reelection by the voting stockholder.

Meetings and Attendance — The following table sets forth the number of meetings held during fiscal 2017 by the Board of Directors and each committee thereof, as well as the number of times during the year that action was taken by unanimous

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written consent. The Company’s Bylaws currently require the unanimous attendance of all directors in order for a quorum to be present. In addition to the number of official Board meetings noted below, the Board of Directors also held five other meetings that were not considered official meetings due to the absence of a quorum. Those meetings were generally followed by a unanimous written consent approving the matters that were the subject of the discussions.

All directors attended at least 75% of the meetings of the Board and of the committees on which they served, except for Mr. Creel, who attended three Board meetings and three Compensation Committee meetings.

	Fiscal 2017 Meetings Held	Action by Unanimous Written Consent
Board of Directors	3	18
Audit Committee	6	—
Compensation Committee	6	8

During fiscal 2017, the Board of Directors formed and commissioned a special acquisition committee, consisting of Mr. Appel, Mr. Creel, Mr. Lagos and Mr. Roberts, to review and evaluate the terms of the GPMX acquisition and to approve the transaction on behalf of the full Board of Directors. This special acquisitions committee met three times from May through October (and each committee member attended all meetings, except for Mr. Creel, who attended two of the meetings) and took one action by unanimous written consent.

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ITEM 11 — EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes our compensation practices and the executive compensation policies, decisions and actions of the Compensation Committee of our Board of Directors (the "Committee"). It focuses specifically on compensation earned during fiscal 2017 by the following individuals, referred to as our Named Executive Officers.

Name	Position
Stuart I. Grimshaw	Chief Executive Officer
Daniel M. Chism (a)	Chief Financial Officer
Lachlan P. Given	Executive Chairman
Joseph L. Rotunda	Chief Operating Officer
Thomas H. Welch, Jr.	Chief Legal Officer and Secretary
Mark Ashby (a)	Chief Financial Officer

(a) Mr. Chism was appointed Chief Financial Officer effective May 9, 2017. Mr. Ashby served as Chief Financial Officer until his departure from the Company on May 8, 2017.

The group of Named Executive Officers consists of (a) the only person who served as principal executive officer of the Company during fiscal 2017 (Mr. Grimshaw), (b) all persons who served as principal financial officer of the Company at any time during fiscal 2017 (Mr. Ashby and Mr. Chism) and (c) the three most highly compensated persons (other than the principal executive officer and principal financial officer) who were serving as executive officers at the end of fiscal 2017 (Mr. Given, Mr. Rotunda and Mr. Welch).

Executive Summary

Fiscal 2017 Business Highlights

The following is a brief overview of certain fiscal 2017 business highlights that influenced the Committee's executive compensation decisions:

- Reported financial results:
- The Company's reported net income for fiscal 2017 was $31.9 million, improving from a net loss of $80.7 million in fiscal 2016. This resulted from a 2% increase in net revenue (including a 4% increase in pawn service charges), combined with prudent management of both operating and administrative expenses. These results are even more impressive after factoring out the significant negative impact of hurricanes and other natural disasters and events beyond management's control.
- EBITDA for fiscal 2017 was $82.6 million, a significant improvement from fiscal 2016. This performance is attributable to continued improvement in our core pawn businesses in the U.S. and Mexico.
- We ended the year with $164.4 million in cash and cash equivalents, an increase of 150% versus the same time last year, while total liabilities were reduced 6.3%.
- During the year, we collected $34 million in payments from AlphaCredit related to our sale of Grupo Finmart, and in September, we restructured the payment of the remaining $61 million in a manner that provides us with an improved risk and return profile.
- In July, we completed a $143.8 million offering of Convertible Notes and retired our Term Loan Facility and $35.0 million in face value of 2019 Cash Convertible Notes, further strengthening our balance sheet and liquidity and locking in an attractive fixed interest rate for a seven-year term.
- In October (within a week of the fiscal year-end), we completed the GPMX acquisition, our largest pawn acquisition to date in terms of store count, expanding our store base into Latin American countries outside of Mexico and providing attractive opportunities for further growth and expansion. Even though this acquisition was completed shortly after the end of the year, the bulk of the work underlying the acquisition was completed during fiscal 2017.

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Best Practices in Compensation Governance

Our executive compensation program contains the following best-practice features:

What We Do	What We Don’t Do
þ Heavy emphasis on performance-based variable pay	ý No change-in-control payments
þ 100% of equity incentive grants are performance-based	ý No significant perquisites
þ Stock ownership guidelines for executives and directors	ý No hedging or pledging of Company stock
þ Annual risk assessments	
þ Independent compensation consultant	

Fiscal 2017 Compensation Actions At-A-Glance

The Committee took the following compensation-related actions for fiscal 2017 (all of which are discussed in more detail below):

- Base salaries — Determined that base salaries for the executive officers would generally be held flat for fiscal 2017 compared to fiscal 2016.
- Annual incentive bonuses — At the beginning of the year, approved a short-term incentive (STI) bonus program that established a challenging Target performance goal of $101.6 million of EBITDA, a 135% increase over the EBITDA for fiscal 2016. At the end of the year, confirmed the STI bonus payout at 77% of Target (following certain limited adjustments to the reported EBITDA).
- Long-term incentives — Approved long-term incentive awards that are 100% subject to performance-based vesting. Specifically, vesting on 80% of the awards is contingent on the achievement of sustained earnings growth (measured by the annual growth rate in EBITDA), and vesting on the remaining 20% is contingent on prudent balance sheet management (measured by reduction in net debt). Awards vest based on performance at the end of the three-year performance period.
- Housing allowances — Modified housing allowances for expatriate executive officers to establish finite life of three years from inception, with result that all such housing allowance will be terminated by the end of October 2018.

Executive Compensation Philosophy and Program Design

Philosophy — Our executive compensation philosophy is grounded on three fundamental principles:

- Pay for performance — We expect diligent effort, unwavering commitment and hard work from our executives, and our compensation plans should recognize and reward superior results that generate significant shareholder value. Actual realized compensation should reflect Company and individual performance against specific and quantifiable objectives. Executives should be compensated based on their ability to achieve key operational, financial and strategic results. Compensation earned should parallel our sustained growth in terms of profitability and shareholder value.
- Attract and retain high performers — We want to build and maintain an organization that achieves consistently high results. Therefore, we strive to pay at levels that will attract and retain high quality executives capable of performing at the highest levels and willing to be accountable for the achievement of results. In line with our philosophy of paying well for strong performance, a majority of executive compensation is in the form of incentives that are at risk, but offer significantly higher rewards for the achievement of outstanding results.
- Align long-term interests of our shareholders and executives — Executives should be compensated through compensation components (base salaries, short- and long-term incentives) designed to drive sustained business performance, build an internal culture of ownership and create long-term value for our shareholders.

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Goals — In support of the principles of our compensation philosophy, we have designed our executive compensation programs to accomplish the following primary goals:

Principle and Goal	How Accomplished
Pay for performance — Provide payouts that are closely aligned with the actual financial results of the Company.	• Total compensation opportunities will include a significant portion of performance-based incentives tied to achievement of specific financial or strategic objectives and the growth in stockholder value. • Incentive objectives will be specific, quantifiable and measurable, but may also include goals that require an element of subjective evaluation. • Long-term incentives will have both retention and performance requirements and therefore will vest over time so long as specific objectives are achieved.
Attract and retain high performers — Pay at levels that will help us attract and retain highly qualified individuals capable of leading us to achieve our business objectives.	• Total compensation is designed to provide base salaries and short- and long-term incentive opportunities that will result in highly competitive pay levels when performance objectives are achieved, as well as above-market opportunities when outstanding results are achieved. • Incentive plans provide clear and measurable objectives for top performers to achieve high-level compensation.
Align long-term interests of shareholders and executives — Reinforce a culture of ownership and long-term commitment to shareholder value creation.	• Executives are required to be stockholders and own a minimum level of Company stock throughout their employment. • The vesting of equity incentive awards is tied directly to continued multi-year service (retention) and the achievement of specific long-term financial results.

Components — "Total direct" compensation is composed of three principal components, each one contributing to the accomplishment of our compensation program goals:

Compensation Component	Description	Attract and Retain	Pay for Performance	Shareholder Alignment	Long-term Commitment
Base Salary	• A market-competitive salary is an essential factor in attracting and retaining qualified personnel.	ü			
Annual Incentives	• Annual cash bonus opportunity that is tied to an assessment of annual corporate and business unit financial performance, as well as individual contribution.	ü	ü	ü	
Long-term Incentives	• Equity incentive grants, including performance-vested restricted stock grants tied to achievement of consistent multi-year growth	ü	ü	ü	ü

in earnings and stockholder value.

• Annual Supplemental Executive Retirement Plan contributions that vest over three years.	ü	ü

Pay Mix — The Committee reviews the mix of base salary, cash bonus and long-term incentives annually. The Committee does not target a fixed percentage allocation among the compensation elements, but rather aims to provide the majority of executive officer compensation opportunities in the form of incentive compensation.

Compensation Methodology and Process

Composition of the Compensation Committee

During fiscal 2017, the Company, relying on the Nasdaq Controlled Company exemption described in Part III, Item 10 — "Directors, Executive Officers and Corporate Governance — Corporate Governance — Controlled Company Exemptions," has included a non-independent director (Mr. Given) on the Compensation Committee. The Board of Directors believes that, with the unique perspective of the non-independent member combined with the perspectives of the independent members, the current Committee is well-situated to act in the interests of all Company stockholders. The Committee has formed a subcommittee comprised of only independent directors (currently, Mr. Lagos and Mr. Roberts) to act on and approve any executive compensation matters that require approval of solely "independent," "non-employee" or "outside" directors.

Role of the Committee

The Board of Directors has authorized the Committee to establish the compensation programs for all executive officers and to provide oversight for compliance with our compensation philosophy. The Committee delegates the day-to-day administration of the compensation plans to management, but retains responsibility for ensuring that the plan administration is consistent with the Company's policies.

Annually, the Committee sets the compensation for our executive officers, including objectives and awards under incentive plans. The Committee also makes recommendations to the Board of Directors on appropriate compensation for the non-employee directors.

In addition to overseeing the compensation of our executive officers, the Committee approves all awards under long-term incentive plans for all other employees. For more information on the Committee's role, see the Committee's charter, which can be found in the Investor Relations section of our website at www.ezcorp.com.

Role of Management

The Committee receives data regarding compensation trends, issues and recommendations from management. One member of management, Mr. Given, is a member of the Committee and participates in Committee discussions, deliberations and decisions (except for those matters that require approval solely of “independent,” “non-employee” or “outside” directors, in which case the decisions are made by a subcommittee consisting of only independent directors). Other members of management, including our Chief Executive Officer, our Chief Human Resources Officer and our Chief Legal Officer, attend Committee meetings at the invitation of the Committee. In addition, our Chief Executive Officer provides input on individual performance and recommendations regarding compensation adjustments to the Committee for positions other than his own.

Role of the Compensation Consultant

Pursuant to its charter, the Committee has the sole authority to retain, terminate, obtain advice from, oversee and compensate its outside advisors, including its compensation consultant. The Company has provided appropriate funding to the Committee to do so.

For the past several years, the Committee has retained Pearl Meyer & Partners, LLC (“Pearl Meyer”) as its independent executive compensation consultant. None of our management participated in the Committee's decision to retain Pearl Meyer. Pearl Meyer reports directly to the Committee, and the Committee may replace Pearl Meyer or hire additional consultants at any time. Pearl Meyer communicates with, and attends meetings of, the Committee as requested; however, the Committee makes all decisions regarding the compensation of the Company's executive officers.

Pearl Meyer provides various executive compensation services to the Committee, including advising the Committee on the principal aspects of our executive compensation program and evolving best practices and providing market information and analysis regarding the competitiveness of our program design and award values in relationship to our performance.

The Committee regularly reviews the services provided by its outside consultants and believes that Pearl Meyer is independent in providing executive compensation consulting services. The Committee continues to monitor the independence of its compensation consultant on a regular basis.

Competitive Positioning, Benchmarking and Peer Group Data

In order to attract and retain the best executives for key management positions, we target our compensation plans to approximate the 75th percentile of the competitive marketplace. The Committee believes that this competitive positioning is appropriate in order for us to attract and retain the caliber of executives required to maintain exceptional operational and financial results over time.

It is important to note, however, that the majority of pay opportunities for our top executives are incentive-based and that actual realizable compensation is heavily dependent upon actual Company results. See “Executive Compensation Philosophy and Program Design — Pay Mix” above. Failure to achieve targeted results may result in realized compensation being below the 75th percentile, and perhaps below the market median. On the other hand, our incentive compensation programs provide opportunities for compensation to exceed the 75th percentile if specified objectives are achieved at targeted levels or higher. The Committee believes that actual realizable compensation for our top executives is well aligned with our performance.

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While the Committee does not set compensation levels for our executive officers based solely on survey or peer group benchmarks, the Committee does regularly refer to external benchmarking data in their deliberations in order to ensure that the pay opportunities offered to our executives are appropriate in light of our performance relative to our peers. The Committee regularly asks Pearl Meyer to conduct a competitive compensation review for our executive officers in order to benchmark compensation. Data in the Pearl Meyer study were collected from several sources, including published compensation surveys and peer company proxy statements.

Pearl Meyer delivered its fiscal 2017 executive compensation report, dated October 27, 2016, to the Committee in November 2016 in connection with the Committee's review and evaluation of executive compensation programs and levels for fiscal 2017. For that report, Pearl Meyer collected competitive pay data for a peer group of 15 publicly-traded companies based on publicly available data. The peer group included companies that are direct competitors within our industry, have similar business models to our company or have comparable key executive roles. The Company currently falls toward the lower end of the peer group based on financial measures (revenues, EBITDA, total assets and market capitalization), but falls in the upper half of the group based on number of employees). Consequently, benchmarks from this group generally reflect compensation for executives in companies that are, on average, larger than the Company, but may also be considered reflective of compensation required to attract and retain the executive talent required to achieve the Company's strategic growth objectives. The following is the compensation peer group for fiscal 2017:

Peer Company	Stock Symbol	Primary Business
Aaron's Inc.	AAN	Specialty Retail
Cardtronics Plc	CATM	Consumer Finance — IT Services
Cash America International, Inc. (a)	CSH	Consumer Finance — Pawn and Payday Lending
Credit Acceptance Corp.	CACC	Consumer Finance
First Cash Financial Services Inc.	FCFS	Consumer Finance — Pawn and Payday Lending
Green Dot Corporation	GDOT	Consumer Finance — Debit Cards
H&R Block, Inc.	HRB	Diversified Consumer Services
Heartland Payment Systems, Inc.	HPY	Consumer Finance — IT Services
Moneygram International Inc.	MGI	Consumer Finance — Money Transfer and Payment Services
OneMain Holdings, Inc.	OMF	Consumer Finance
Outerwall Inc.	OUTR	Specialty Retail
Rent-a-Center, Inc.	RCII	Specialty Retail
Total System Services, Inc.	TSS	Consumer Finance — IT Services
WEX Inc.	WEX	Consumer Finance — IT Services
World Acceptance Corp.	WRLD	Consumer Finance — Small Loans

(a) Effective September 1, 2016, Cash America International, Inc. merged with First Cash Financial Services Inc. and no longer exists as a separate publicly traded company. The information for Cash America International, Inc. used in the Pearl Meyer peer group study included the latest publicly available information prior to that time.

To supplement peer group data, Pearl Meyer also provided compensation statistics from a review of published compensation surveys. Survey data reflected compensation rates across a broad group of general industry companies with revenues of around $1 billion. Using a survey sample in combination with peer group data (along with the practice of reviewing market quartiles, as opposed to averages) mitigates the impact of outliers, year-over-year volatility of compensation levels and the risk of selection bias.

Pearl Meyer's fiscal 2017 executive compensation review was substantially consistent with the review performed for fiscal 2016, and generally concluded that the total direct compensation for the Company's executives below the Chief Executive Officer level on average approximate the market 75th percentile. Pearl Meyer noted that, when measuring total direct compensation at target levels, the competitive posture of the Company's Chief Executive Officer position was below the 75th percentile, primarily due to below-market long-term incentive opportunities for the Chief Executive Officer. Pearl Meyer also observed that the average mix of pay for the Company's executives is more heavily weighted toward annual cash compensation than the average peer group company, but that the long-term compensation opportunities for the Company's executives continued to be more heavily oriented toward performance-based opportunities than the peer group average, principally as a result of our long-term equity awards being 100% performance-based (vs. a significant time-vested component at most peer companies).

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Components of Compensation

Base Salary

Our primary objective with respect to base salary levels is to provide sufficient fixed cash income to retain and attract experienced and valuable leaders in a competitive market for executive talent. The base salaries of our executive officers are reviewed and adjusted (if appropriate) annually to reflect, among other things, individual performance, base salaries for comparable positions from a review of market data discussed previously, the tenure of the officers, economic conditions and the base salaries of the officers relative to one another.

The following table shows, for each of our Named Executive Officer, the base salaries that were in effect for fiscal 2017 and 2016:

Named Executive Officer	Fiscal 2017 Base Salary	Fiscal 2016 Base Salary	Increase
Mr. Grimshaw	$1,000,000	$1,000,000	—%
Mr. Chism (a)	450,000	—	N/A
Mr. Given	600,000	600,000	—%
Mr. Rotunda	675,000	675,000	—%
Mr. Welch	410,000	410,000	—%
Mr. Ashby (b)	700,000	700,000	—%

(a) Mr. Chism joined the Company as Chief Financial Officer in May 2017. His base salary for fiscal 2017 was negotiated at that time.

(b) Mr. Ashby left the Company in May 2017.

In November 2016, the Committee determined that the base salaries for the executive officers would again be held flat for fiscal 2017 (other than an increase of less than 7% for one executive officer to reflect an expanded role). None of the Named Executive Officers received any base salary increase for fiscal 2017.

In November 2017, the Committee determined that the base salaries for the executive officers would again be held flat for fiscal 2018 (other than an increase of approximately 17% for the General Manager of the Company's Empeño Fácil business in Mexico to recognize outstanding performance and better align his total direct compensation opportunity to the market). Consequently, the fiscal 2018 base salary for each of the Named Executive Officers will be the same as the base salary for fiscal 2017, as shown in the table above.

Annual Incentive Bonus

Our executive officers, as well as other key employees, are eligible to participate in our annual Short-Term Incentive Compensation Plan ("STI"). The annual cash bonus opportunities offered to participants in the plan are designed to provide a powerful performance incentive contingent upon participants' contributions toward achievement of annual corporate and business unit financial results, as well as personal objectives that are tied to our strategic goals.

For fiscal 2017, the incentive bonus opportunity for each executive officer was a function of a designated target amount (stated as a percentage of base salary) and a business performance modifier ranging from 0% to 150% based on the achievement of specified levels of consolidated EBITDA ranging from $86.4 million to $116.8 million. This calculation provides the maximum bonus opportunity for each executive, with the final payout amount being subject to an evaluation of the executive's individual performance. In calculating EBITDA, the Committee is permitted to make adjustments for specified special or extraordinary events or circumstances if the Committee, in its discretion, considers it appropriate to do so. The following table sets forth the fiscal 2017 STI bonus target (stated as a percentage of base salary) for each of the Named Executive Officers:

Named Executive Officer	Fiscal 2017 Target Amount (as a % of base salary)
Mr. Grimshaw	250%
Mr. Chism	80%
Mr. Given	125%
Mr. Rotunda	150%
Mr. Welch	75%
Mr. Ashby (a)	100%

(a) Mr. Ashby left the Company in May 2017.

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In November 2017, the Committee reviewed the Company's performance during fiscal 2017, noting the performance highlights described above under "Executive Summary — 2017 Business Highlights." The Committee also noted that, based on the Company's financial results for fiscal 2017, the Company had achieved consolidated EBITDA of $82.6 million. The Committee considered and approved adjustments that were designed to exclude the impact of special or extraordinary events that are beyond the control of management, such as the looting in Mexico that negatively impacted the Company's performance in the second quarter of fiscal 2017 and the hurricanes in Texas and Florida that negatively impacted the Company's performance in the fourth quarter. The Committee determined that, with those adjustments, adjusted EBITDA for purposes of calculating the fiscal 2017 STI bonus payouts was $94.7 million and, based on that performance, confirmed the fiscal 2017 STI payout at the 77% level. Taking into account the individual performance modifiers, the Committee approved the payouts for the Named Executive Officers as indicated in the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table below. Those amounts were calculated as follows:

Named Executive Officer (a)	2017 Salary	Target Amount	Target Opportunity	Company Performance Modifier (b)	Individual Performance Modifier (b)	Actual Award Earned
Mr. Grimshaw	$1,000,000	250%	$2,500,000	77%	N/A	$1,925,000
Mr. Chism (c)	450,000	80%	360,000	77%	50%	85,447
Mr. Given	600,000	125%	750,000	77%	N/A	577,500
Mr. Rotunda	675,000	150%	1,012,500	77%	100%	779,625
Mr. Welch	410,000	75%	307,500	77%	80%	213,098

(a) Mr. Ashby left the Company effective May 8, 2017 and did not receive any payout under the fiscal 2017 STI bonus plan.

(b) For Mr. Grimshaw and Mr. Given, 100% of their Target Opportunity is subject to the Company Performance Modifier. For each of the other Named Executive Officers, 50% of the Target Opportunity is subject to reduction based on the Individual Performance Modifier and then the Company Performance Modifier is applied to the resulting Target Opportunity. The Individual Performance Modifiers for Mr. Chism, Mr. Rotunda and Mr. Welch were recommended by the Chief Executive Officer and approved by the Compensation Committee. The Chief Executive Officer's recommendations were based on his subjective evaluation of each executive's performance during the year relative to the Company's performance as a whole, with the expectation that only extraordinary performance would merit a 100% Individual Performance Modifier. Given these standards, the Chief Executive Officer recommended, and the Compensation Committee approved, the Individual Performance Modifiers noted above.

(c) For Mr. Chism, the award was prorated based on the date of his appointment of Chief Financial Officer effective May 9, 2017.

In November 2017, the Committee approved the short-term incentive bonus plan for fiscal 2018, which will be substantially identical to the fiscal 2017 plan, except that the business performance modifiers for participants who are assigned to specific business units will be based on the EBITDA performance of those respective business units (subject to the achievement of a threshold level of consolidated EBITDA). The business performance modifiers for corporate participants will continue to be based on consolidated EBITDA performance. The fiscal 2018 Target Amount for each of the Named Executive Officers is the same as the fiscal 2017 Target Amount (as shown in the table above).

Long-Term Incentives

General — Long-term incentive compensation, in the form of performance-based equity awards, is a key component in our executive compensation program, helping to encourage long-term commitment, shareholder alignment and long-term performance orientation. The value of equity awards over time bears a direct relationship to the price of our shares and the returns experienced by our stockholders. These awards are made under the EZCORP Long-Term Incentive Plan ("LTIP").

All of our executive officers are eligible to receive equity incentive awards. For fiscal 2016 and forward, we modified our approach to long-term incentive compensation to place greater emphasis on long-term performance that enhances stockholder value. Now, unlike many of our peers who have a significant time-vested component to their long-term awards, 100% of our long-term incentive awards are subject to performance-based vesting. In order to further emphasize the long-term nature of these awards, 100% of the LTIP awards vest at the end of the three-year performance period, rather than a prorated vesting each year during the performance period. The Committee believes that this structure incentivizes and rewards longer term vision and strategies and provides a balance to the Company's short-term programs, which tend to be focused on annual performance.

Grant frequency — The Committee considers new LTIP grants for all executives every year, although we do not necessarily grant new equity to all executives every year. The frequency of LTIP grants and the amount of equity awards granted in a given year are based in part upon an assessment of past equity awards still outstanding at the time new grants are to be made.

LTIP awards may be made at any time as determined by the Committee, and the grant price (i.e., the stock price used to determine the number of shares or units awarded) is generally the closing trading price on the date the award is approved. The annual LTIP awards, however, are intended to incentivize performance over the full designated performance period. Therefore,

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the Committee considers it appropriate to use the stock price at the beginning of the performance period as the grant price, even though the awards may be approved by the Committee at a later date. In the Committee's view, this methodology, consistently applied, neutralizes the stock price as a factor impacting the timing of awards.

Fiscal 2017 LTIP awards — In November 2016, the Committee approved the fiscal 2017 LTIP awards for our key employees, including the executive officers. The approved awards consist of restricted stock units that vest at the end of a three-year period (September 30, 2019) based on the following performance metrics: the vesting of 80% of the units is subject to achieving specified EBITDA growth targets, and the vesting of 20% of the units is subject to achieving specified reductions in net debt (defined as consolidated long-term recourse debt minus cash, cash equivalents and restricted cash). The specified performance metrics provide for vesting of either 0%, 50% or 100% of the units, depending on the level of performance; there is no "kicker" for over-performance, and no more than 100% of the units will vest in any event. The number of units awarded to each recipient was a function of a multiple of the recipient's base salary divided by $11.06 (the closing trading price of our Class A Common Stock on September 30, 2016).

The following table shows the approved fiscal 2017 LTIP awards for the Named Executive Officers:

Named Executive Officer	Percent of Base Salary	Number of Units
Mr. Grimshaw	300%	271,248
Mr. Chism (a)	—%	—
Mr. Given	150%	81,374
Mr. Rotunda	100%	61,031
Mr. Welch	100%	37,071
Mr. Ashby (b)	100%	63,291

(a) Mr. Chism joined the Company in May 2017 and received no LTIP award for fiscal 2017.

(b) Mr. Ashby left the Company in May 2017, and as a result, these units were forfeited.

Fiscal 2018 LTIP awards — In November 2017, the Committee approved the fiscal 2018 LTIP awards, the structure of which will be substantially identical to that of the fiscal 2017 awards, except that the vesting of 100% of the units will be subject to achieving specified EBITDA growth targets over the three-year performance period. Consistent with the Committee's philosophy described above, the stock price used to determine the number of units awarded was $9.50 (the closing trading price of the Class A Common Stock on September 29, 2017, the last trading day of the fiscal year).

In addition, the Committee approved certain special performance-based LTIP awards for certain executives and key employees. These awards are scheduled to vest on September 30, 2018, subject to the achievement of specified levels of consolidated EBITDA during fiscal 2018. The following Named Executive Officers received the number of units indicated: Mr. Grimshaw, 64,000; Mr. Given, 19,000; Mr. Rotunda, 17,000; and Mr. Welch, 13,000. Mr. Chism was not eligible for one of these special awards due to his recent hiring.

Supplemental Executive Retirement Plan

We provide selected executives, including all of the Named Executive Officers, with a non-qualified Supplemental Executive Retirement Plan ("SERP") in order to offset some of the negative impacts of the highly paid executive contribution limitations applicable to our 401(k) retirement savings plan. For fiscal 2017, the Committee approved contributions to the SERP for each of the executive officers equal to 10% of base salary. This resulted in the following contributions to the SERP for each of the Named Executive Officers:

Named Executive Officer	Fiscal 2017 SERP Contribution
Mr. Grimshaw	$ 100,000
Mr. Chism	—
Mr. Given	60,000

Mr. Rotunda	67,500
Mr. Welch	41,000
Mr. Ashby	70,000

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In November 2017, the Committee approved fiscal 2018 contributions to the SERP equal to 10% of base salary for each of the executive officers, including the Named Executive Officers.

Other Benefits and Perquisites

The executive officers participate in other benefit plans on the same terms as other employees. These plans include medical, dental and life insurance benefits, and our 401(k) retirement savings plan. In addition, we provide supplemental healthcare benefits to our executive officers. The amount of that benefit for the Named Executive Officers during fiscal 2017 is included in the "All Other Compensation" column of the Summary Compensation Table below.

Since 2014, we have hired several new executive officers who relocated to Austin, Texas from other countries. To assist these executives with securing suitable housing arrangements in Austin, the Committee has approved housing allowances to cover mortgage or rental payments actually made with respect to housing arrangements in the Austin, Texas area. During fiscal 2017, the Committee agreed to extend each of the previously approved allowances to a total of three years from its inception date. The following table shows for each of Mr. Grimshaw and Mr. Given (the only two Named Executive Officers who are receiving housing allowances) the amount of the allowance approved by the Committee, the scheduled expiration date and the amount actually utilized by the executive during fiscal 2017:

Named Executive Officer (a)	Approved Temporary Housing Allowance Amount (per month)	Scheduled Expiration	Amount of Allowance Utilized in Fiscal 2017 (b)
Mr. Grimshaw	$25,000	November 30, 2017	$ 194,665
Mr. Given	10,000	March 31, 2018	106,473

(a) Mr. Ashby also received a housing allowance, but that allowance terminated upon his departure from the Company in May 2017.

(b) These amounts are included in the "All Other Compensation" column of the Summary Compensation table below.

In addition, our executives who come to the U.S. from other countries find it difficult to secure automobile leases because of their visa status. To assist with this difficulty, the Company has either purchased or leased automobiles on behalf of certain of our expatriate executive officers and then leased or released the automobiles to the executives. We do not consider these arrangements to be compensatory, as the executives are reimbursing the Company the full costs associated with these arrangements.

Compensation Risk

The Committee continually monitors the Company's general compensation practices, specifically the design, administration and assessment of our incentive plans, to identify any components, measurement factors or potential outcomes that might create an incentive for excessive risk-taking detrimental to the Company. The Committee has determined that our compensation plans and policies do not encourage excessive risk-taking.

Our executive compensation program provides a balance of short-term and long-term incentives that reward achievement of profitable, consistent and sustainable results.

- Annual incentive compensation tied to achievement of profitable Company or business unit performance (as measured by consolidated and/or business unit EBITDA); and
- Meaningful long-term equity incentive opportunities that are 100% performance-based and provide an incentive to deliver long-term growth in stockholder value as a result of sustained earnings growth, prudent balance sheet management or other measures.

Other Executive Compensation Matters

Severance — Mr. Ashby, who had been serving as Chief Financial Officer, left the Company effective May 8, 2017 as part of our continuing efforts to align our corporate organizational and expense structure with a more simplified business model. Mr. Ashby's departure was not the result of any issue or concern with our accounting, financial reporting or internal control over financial reporting, nor the result of Mr. Ashby's contributions or performance while at the Company.

In connection with his departure, we entered into a separation agreement that provided Mr. Ashby with the following severance benefits (all of which were approved by the Committee):

- A severance payment equal to one year's salary ($700,000), consistent with Mr. Ashby's terms of hire;

- Accelerated vesting of 4,667 shares of restricted stock that were otherwise scheduled to vest on September 30, 2017;
- Retention of 63,029 (out of 113,452) restricted stock units that are scheduled to vest on September 30, 2018, with the vesting of the retained units remaining subject to the attainment of the applicable performance goals at the vesting date;
- Accelerated vesting of his SERP account; and
- Payment or reimbursement of the costs of moving Mr. Ashby and his family back to Australia.

In the separation agreement, Mr. Ashby provided a general release of claims against the Company and affirmed certain non-competition and non-solicitation obligations to which he is subject for a period of one year following his termination of employment.

We provide the following severance benefits to our executive officers:

- Each of our executive officers will receive salary continuation for one year if his or her employment is terminated by the Company without cause.
- Generally, restricted stock awards, including those granted to the executive officers, provide for accelerated vesting of some or all of the unvested shares or units in the event of the holder's death or disability.

More information on severance arrangements can be found under "Other Benefit Plans — Certain Termination Benefits" below. The Committee believes that these benefits provide important protection to the executive officers, are consistent with practice of the peer companies and are appropriate for attraction and retention of executive talent.

Restrictive Covenants — Each of the Company's executive officers, along with other key employees, has entered into a Protection of Sensitive Information, Non-competition and Non-solicitation Agreement, under which the executive is subject to confidentiality and non-disclosure obligations with respect to various categories of proprietary, competitively sensitive and confidential information. In addition, the executive has agreed that, for a period of one year (six months, in the case of Mr. Grimshaw) following the termination of employment with the Company, he or she will not compete with the Company (within a defined area) and will not solicit the Company's employees or suppliers.

Other Factors Affecting Compensation — In establishing total compensation for the executive officers, the Committee considers the effect of Section 162(m) of the Internal Revenue Code, which limits the deductibility of compensation paid to each covered employee. Generally, Section 162(m) prevents a company from receiving a federal income tax deduction for compensation paid to a covered employee in excess of $1 million for any year, unless that compensation is performance-based. To the extent practical, the Committee intends to preserve deductibility, but may choose to provide compensation that is not deductible if necessary to attract, retain and reward high-performing executives or if otherwise appropriate under the circumstances.

Compensation Committee Report

The Compensation Committee has reviewed the foregoing Compensation Discussion and Analysis and has discussed it with management. Based on that review and those discussions, the Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

Santiago
Creel
Miranda
Lachlan
P. Given
Pablo
Lagos
Espinosa
(Chair)
Thomas
C.
Roberts

Compensation Committee Interlocks and Insider Participation

Mr. Given (a member of the Compensation Committee) is also an executive officer of the Company. The other members of the Compensation Committee (Mr. Creel, Mr. Lagos and Mr. Roberts) are not and have never been an officer of or employed by the

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Company and do not have any relationship that requires disclosure under Item 404 of Regulation S-K, the SEC's rules requiring disclosure of certain relationships and related party transactions.

Mr. Grimshaw and Mr. Given (both executive officers of the Company) serve as directors of Cash Converters International Limited, and Mr. Cumins (a director) is the Executive Deputy Chairman and a member of the board of directors of Cash Converters International Limited. However, no compensation committee interlocks exist between the two companies.

Summary Compensation Table

The table below summarizes the total compensation for fiscal 2017, 2016 and 2015 for the Named Executive Officers. See "Part III, Item 11 — Executive Compensation — Compensation Discussion and Analysis" for a description of how we determined the Named Executive Officers.

Name and Principal Position	Fiscal Year	Salary (1)	Bonus (2)	Stock Awards (3)	Non-Equity Incentive Plan Compensation (4)	All Other Compensation (5)	Total
Stuart I. Grimshaw (6) Chief Executive Officer	2017	$1,000,000	$ —	$2,603,981	$ 1,925,000	$ 315,929	$5,844,910
	2016	1,000,000	—	1,804,343	4,210,000	504,471	7,518,814
	2015	865,385	1,250,000	5,314,000	1,060,000	278,817	8,768,202
Daniel M. Chism Chief Financial Officer	2017	159,231	—	—	85,447	8,574	253,252
	2016	—	—	—	—	—	—
	2015	—	—	—	—	—	—
Lachlan P. Given (6) Executive Chairman	2017	600,000	—	781,190	577,500	198,213	2,156,903
	2016	600,000	—	541,305	1,125,000	190,126	2,456,431
	2015	604,038	450,000	2,420,200	—	154,505	3,628,743
Joseph L. Rotunda (7) Chief Operating Officer	2017	668,750	—	585,898	779,625	81,924	2,116,197
	2016	668,750	—	263,857	1,518,750	80,726	2,532,083
	2015	169,231	97,200	110,387	—	262,030	638,848
Thomas H. Welch, Jr. Chief Legal Officer and Secretary	2017	410,000	—	355,882	213,098	67,725	1,046,705
	2016	410,000	—	196,695	403,594	63,146	1,073,435
	2015	408,385	153,750	223,963	—	56,487	842,585
Mark Ashby (8) Chief Financial Officer	2017	460,385	—	607,594	—	890,128	1,958,107
	2016	700,000	—	335,818	945,000	201,324	2,182,142
	2015	212,692	787,750	169,179	—	59,695	1,229,316

(1) The amounts shown under "Salary" reflect the gross amounts of base salary paid to each of the Named Executive Officers during the fiscal years so noted. The fiscal 2017 amounts for Mr. Chism and Mr. Ashby and the fiscal 2015 amounts for Mr. Grimshaw, Mr. Ashby and Mr. Rotunda reflect the number of days during the fiscal year that each was employed by the Company.

(2) Of fiscal 2015 amount shown for Mr. Ashby, $665,000 represents a sign-on bonus paid pursuant to his terms of hire. The remaining fiscal 2015 amount for Mr. Ashby ($122,750) and the fiscal 2015 amounts for the other Named Executive Officers reflect discretionary retention bonuses that were approved and paid in November 2015, with Mr. Ashby's and Mr. Rotunda's bonuses being prorated to reflect the number of days each was employed by the Company during fiscal 2015.

(3) Amounts represent the aggregate grant date fair value of restricted stock or restricted stock unit awards, computed in accordance with FASB ASC 718-10-25. See Note 9 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data." The actual value realized by the Named Executive Officer with respect to stock awards will depend on whether the award vests and, if it vests, the market value of our stock on the date the stock is sold.

For a description of these awards, see the "Grant of Plan-Based Awards" table under "Incentive Plan Based Awards" below. See also "Compensation Discussion and Analysis — Components of Compensation — Long-Term Incentives" above.

(4) The fiscal 2017 and 2016 amounts represent the amount of bonuses paid pursuant to the fiscal 2017 and 2016 Short-Term Incentive Compensation Plan. See “Compensation Discussion and Analysis — Components of Compensation — Annual Incentive Bonuses” above. The fiscal 2016 amount for Mr. Grimshaw also includes $460,000 representing the final special short-term bonus paid to Mr. Grimshaw pursuant to his terms of hire. The Company did not pay STI bonuses for fiscal 2015, but did pay retention bonuses associated with fiscal 2015 as described in note (2) above. The fiscal 2015 amount shown for Mr. Grimshaw represents the special short-term incentive bonuses paid to Mr. Grimshaw pursuant to his terms of hire.

(5) Amounts include the cost of providing various perquisites and personal benefits (including housing allowances, where applicable), as well as the value of our contributions to the company-sponsored 401(k) plan and Supplemental Executive Retirement Plan. For detail of the amounts shown for each Named Executive Officer, see the table under “Other Benefits and Perquisites — All Other Compensation” below.

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(6) Mr. Grimshaw and Mr. Given also serve on the board of directors of Cash Converters International Limited, with Mr. Grimshaw serving as non-executive chairman. The director fees paid to them by Cash Converters International Limited for fiscal 2017, fiscal 2016 and fiscal 2015 were as follows: Mr. Grimshaw, $129,538, $124,429 and $53,927, respectively; Mr. Given, $81,009, $71,987 and $78,953, respectively. These amounts are not included in the Summary Compensation Table, as they were paid by Cash Converters International Limited, which is not controlled by EZCORP.

(7) The amounts shown for Mr. Rotunda under All Other Compensation for fiscal 2015 include $220,640 in director fees paid and stock awards granted to Mr. Rotunda as compensation for serving on the Company's Board of Directors prior to rejoining the Company as an executive in May 2015. See the table under "Other Benefits and Perquisites — All Other Compensation" below. Mr. Rotunda has not received any additional compensation for serving on the Board of Directors since May 2015.

(8) The amount shown for Mr. Ashby under All Other Compensation for fiscal 2017 includes severance benefits paid to him in connection with his separation from the Company effective May 8, 2017, as described in "Compensation Discussion and Analysis — Other Executive Compensation Matters — Severance" above. For detail of these amounts, see the table under "Other Benefits and Perquisites — All Other Compensation" below.

Incentive Plan Based Awards

The following table sets forth certain information about plan-based awards that we made to the Named Executive Officers during fiscal 2017. For information about the plans under which these awards were granted, see "Compensation Discussion and Analysis — Components of Compensation — Annual Incentive Bonus" and "Compensation Discussion and Analysis — Components of Compensation — Long-Term Incentives" above.

Grants of Plan-Based Awards

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			Grant Date Fair Value (3)
Name	Grant Date	Threshold	Target	Maximum	Threshold	Target	Maximum	
Mr. Grimshaw	10/1/2016	$1,250,000	$2,500,000	$3,750,000				
	11/8/2016				135,624	271,248	271,248	$2,603,981
Mr. Chism	10/1/2016	$72,000	$144,000	$216,000				
Mr. Given	10/1/2016	$375,000	$750,000	$1,125,000				
	11/8/2016				40,687	81,374	81,374	$781,190
Mr. Rotunda	10/1/2016	$506,250	$1,012,500	$1,518,750				
	11/8/2016				30,516	61,031	61,031	$585,898
Mr. Welch	10/1/2016	$153,750	$307,500	$461,250				
	11/8/2016				18,536	37,071	37,071	$355,882
Mr. Ashby	10/1/2016	$350,000	$700,000	$1,050,000				
	11/8/2016				31,646	63,291	63,291	$607,594

(1) These amounts represent the potential payouts under the fiscal 2017 Short-Term Incentive Compensation Plan. See "Compensation Discussion and Analysis — Components of Compensation — Annual Incentive Bonuses" above. The "Target" amount is the amount that will be paid if the specified performance goals are achieved at the target level (although the Compensation Committee may reduce any award if it chooses to do so). The "Threshold" amount reflects the amount that would be paid if the minimum performance goals are achieved, while the "Maximum" amount represents the maximum amount that will be paid if the maximum performance goals are achieved. The numbers shown for Mr. Chism reflect the proration of his potential payout based on his start date of May 8, 2017. See the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table above for the amount of the actual payout for each of the Named Executive Officers.

(2) These amounts represent the fiscal 2017 awards under the Long-Term Incentive Plan. See "Compensation Discussion and Analysis — Components of Compensation — Long-Term Incentives" above. The "Target" amount is the

number of units that will vest if the specified performance goals are achieved at the target level. The “Threshold” amount reflects the number of units that will vest if the minimum performance goals are achieved for both the 80% portion of the award subject to EBITDA growth targets and the 20% portion of the award subject to net debt reduction targets. No more than 100% of the Target amount of units will vest; therefore, the “Maximum” amount is the same as the Target amount. Each unit represents the right to receive one share of Class A Common Stock upon vesting.

(3) Represents the estimated grant date fair value of fiscal 2017 equity awards, assuming payout at “Target” level. This is the estimated amount of aggregate compensation cost we expect to recognize over the performance period, determined as of the grant date. See “Compensation Discussion and Analysis — Components of Compensation — Long-Term Incentives” above.

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The following table sets forth certain information about outstanding stock awards held by the Named Executive Officers as of the end of fiscal 2017. None of the Named Executive Officers holds any stock options.

Outstanding Equity Awards at Fiscal Year-End

Name	Award Date	Stock Awards Number of Shares or Units of Stock That Have Not Vested		Market Value of Shares or Units of Stock That Have Not Vested (1)
	11/3/2014	200,000	(2)	$1,900,000
Mr. Grimshaw	3/21/2016	324,149	(3)	3,079,416
	11/8/2016	271,248	(4)	2,576,856
	10/1/2014	150,000	(2)	1,425,000
Mr. Given	3/21/2016	97,245	(3)	923,828
	11/8/2016	81,374	(4)	773,053
	11/13/2015	14,820	(5)	140,790
Mr. Rotunda	3/21/2016	89,141	(3)	846,840
	11/8/2016	61,031	(4)	579,795
	10/1/2014	24,000	(6)	228,000
Mr. Welch	3/21/2016	66,451	(3)	631,285
	11/8/2016	37,071	(4)	352,175
Mr. Ashby	3/21/16	63,029	(3)	598,776

(1) Market value is based on the closing price of our Class A Common Stock on September 29, 2017, the last market trading day of fiscal 2017 ($9.50).

(2) Vesting of these shares is subject to the attainment of specified EBITDA growth objectives. Of these shares, half are scheduled to vest on September 30, 2018 and half are scheduled to vest on September 30, 2020.

(3) These units are scheduled to vest on September 30, 2018 subject to specified performance objectives as follows: vesting of 80% of the units is subject to the attainment of specified EBITDA growth objectives; and vesting of 20% of the units is subject to the attainment of specified net debt reduction objectives. See “Compensation Discussion and Analysis — Components of Compensation — Long-Term Incentives” above.

(4) These units are scheduled to vest on September 30, 2019 subject to specified performance objectives as follows: vesting of 80% of the units is subject to the attainment of specified EBITDA growth objectives; and vesting of 20% of the units is subject to the attainment of specified net debt reduction objectives. See “Compensation Discussion and Analysis — Components of Compensation — Long-Term Incentives” above.

(5) Vesting of 4,940 of these shares was subject to the attainment of specified EBITDA growth objectives, and these shares vested on November 13, 2017 when the Compensation Committee certified that the applicable performance objectives had been achieved. The remaining 9,880 shares vest through fiscal 2020 in specified amounts if the per-share trading price of our Class A Common Stock achieves specified levels ranging from $15 to $80.

(6) Vesting of 8,000 of these shares was subject to the attainment of specified EBITDA growth objectives, and these shares vested on November 13, 2017 when the Compensation Committee certified that the applicable performance objectives had been achieved. The remaining 16,000 shares vest through fiscal 2020 in specified amounts if the per-share trading price of our Class A Common Stock achieves specified levels ranging from $15 to $80.

Stock Vested

The following table sets forth, with respect to each of the Named Executive Officers, certain information about restricted stock vesting during fiscal 2017:

Named Executive Officer	Stock Awards Number of Shares Acquired on Vesting		Value Realized on Vesting (1)
Mr. Grimshaw	100,000	(2)	$1,135,000
Mr. Given	75,000	(2)	851,250
Mr. Rotunda	4,940	(2)	56,069
Mr. Welch	8,000	(2)	90,800
Mr. Ashby	4,667	(3)	41,303

(1) Computed using the fair market value of the stock on the date of vesting.

(2) These shares vested on December 5, 2016 (market value, $11.35 per share).

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(3) Vesting of these shares was accelerated to May 10, 2017 (market value, $8.85 per share) pursuant to the terms of Mr. Ashby's severance from the Company. See "Compensation Discussion and Analysis — Other Executive Compensation Matters — Severance" above.

Other Benefits and Perquisites

401(k) Retirement Plan — All employees are given an opportunity to participate in our 401(k) retirement savings plan (following a new-hire waiting period). This plan allows participants to have pre-tax amounts withheld from their pay and provides for a discretionary employer matching contribution (historically, 25% up to 6% of salary). Until fiscal 2015, we made the matching contribution in the form of shares of our Class A Common Stock, but made the fiscal 2015 and subsequent matching contributions in the form of cash. Participants may invest their contributions in various fund options, but are prohibited from investing their contributions in our common stock. A participant vests in the matching contributions pro rata over their first three years of service. All of a participant's matching contributions vest 100% in the event of the participant's death or disability or the termination of the plan due to a change in control.

Supplemental Executive Retirement Plan — The Internal Revenue Code limits the amount of pre-tax savings that highly paid executives can contribute to the 401(k) plan. To offset some of the negative impact of these limitations on retirement savings and to encourage retention of key executives, we provide selected executives with a non-qualified Supplemental Executive Retirement Plan ("SERP"), with the same investment alternatives as are available under the 401(k) retirement savings plan. Company contributions to the SERP are formula-based, reviewed and recommended by management and approved by the Compensation Committee each year. For fiscal 2017, our annual contributions to the SERP were calculated as a percentage of base salary, with that percentage being 10% for executive officers and 6% for vice presidents. For fiscal 2018, the company contributions to the SERP will continue at the same rate. Under the terms of the SERP, participants are also allowed to voluntarily defer all or a portion of their salary and bonus payments into the SERP. There were nine participants in the SERP during fiscal 2017.

All company-contributed SERP funds have a vesting schedule as an additional retention tool. Generally, the funds vest over three years from the contribution date, with one-third vesting each year. All of a participant's company-contributed SERP funds vest 100% in the event of the participant's death or disability or the termination of the plan due to a change in control. In addition, all company-contributed SERP funds are 100% vested when a participant attains normal retirement age (generally 60 years old and five years of active service) while actively employed by us. All company-contributed SERP funds are forfeited, regardless of vesting status, if the participant's employment is terminated for cause.

A participant may not withdraw any portion of his or her SERP account while still employed by the Company unless, in the sole opinion of management, the participant has an unforeseeable emergency, which is defined as a severe financial hardship resulting from an illness or accident of the participant, the participant's spouse or a dependent; the loss of the participant's property due to casualty; or other similar extraordinary and unforeseeable circumstance arising as a result of events beyond the participant's control.

The following table describes the SERP contributions, earnings and balance at the end of fiscal 2017 for each of the Named Executive Officers:

Nonqualified Deferred Compensation

Named Executive Officer	Company Contributions in Fiscal 2017 (1)	Aggregate Earnings in Fiscal 2017 (2)	Aggregate Withdrawals/Distributions in Fiscal 2017	Aggregate Forfeitures in Fiscal 2017	Aggregate Balance at September 30, 2017 (3)
Mr. Grimshaw	$ 100,000	$ 38,045	$ —	$ —	$ 352,865
Mr. Chism	—	—	—	—	—
Mr. Given	60,000	29,254	—	—	214,783
Mr. Rotunda	67,500	10,859	—	—	149,997
Mr. Welch	41,000	60,019	—	—	543,292
Mr. Ashby (4)	70,000	15,986	—	—	162,115

(1) These amounts were included in the Summary Compensation Table above in the column labeled "All Other Compensation."

(2) These amounts were not included in the Summary Compensation Table as the earnings were not in excess of market rates.

(3) Of the Aggregate Balance at September 30, 2017, the following amounts were previously reported as compensation in the Summary Compensation Tables for prior years: $200,000 for Mr. Grimshaw, $120,000 for Mr. Given, $400,504 for Mr. Welch and $70,000 for Mr. Ashby.

(4) Pursuant to the terms of Mr. Ashby's separation agreement, the vesting of 100% of his SERP account was accelerated in connection with the termination of his employment from the Company, including the fiscal 2017 Company contribution of $70,000 and any earnings thereon. See "Compensation Discussion and Analysis — Other Executive Compensation Matters — Severance" above. The balance in the account will be paid to Mr. Ashby in December 2017.

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All Other Compensation — The following table describes each component of the amounts shown in the "All Other Compensation" column in the Summary Compensation Table above.

Named Executive Officer	Year	Health Care Supplemental Insurance (1)	Value of Supplemental Life Insurance Premiums (2)	Company Contributions to Defined Contribution Plans (3)	Housing Allowance	Other Benefits (4)	Total
Mr. Grimshaw	2017	$ 12,896	$ 1,300	$ 105,019	$ 194,665	$ 2,049	$ 315,929
	2016	11,148	1,395	103,975	188,265	199,688	504,471
	2015	6,717	1,173	100,000	168,393	2,534	278,817
Mr. Chism	2017	7,425	500	649	—	—	8,574
	2016	—	—	—	—	—	—
	2015	—	—	—	—	—	—
Mr. Given	2017	19,305	1,300	60,000	106,473	11,135	198,213
	2016	16,656	1,395	60,000	112,075	—	190,126
	2015	8,528	944	60,000	85,033	—	154,505
Mr. Rotunda	2017	12,896	845	68,183	—	—	81,924
	2016	11,148	1,395	68,183	—	—	80,726
	2015	5,574	698	683	—	255,075	262,030
Mr. Welch	2017	19,305	1,300	47,000	—	120	67,725
	2016	16,656	1,395	44,975	—	120	63,146
	2015	10,072	1,395	44,900	—	120	56,487
Mr. Ashby	2017	8,928	900	76,011	72,000	732,289	890,128
	2016	11,148	1,395	70,281	118,500	—	201,324
	2015	—	472	—	58,258	965	59,695

(1) We provide a fully insured supplemental executive medical plan to certain executives, including all of the Named Executive Officers for healthcare costs in excess of amounts covered by our health insurance plans. The amounts shown represent the total premiums paid for the supplemental executive medical plan for each of the Named Executive Officers during each of the years presented.

(2) Represents group life insurance premiums paid on behalf of the Named Executive Officers. The benefit provides life and accidental death and dismemberment coverage for the Named Executive Officers at three times annual salary up to a maximum of $1 million.

(3) Includes the fiscal 2017 Company contributions to the 401(k) plan and the Supplemental Executive Retirement Plan.

(4) The amounts shown as Other Benefits include the following:

Mr. Grimshaw — The amounts shown represent perquisites and other personal benefits, including spousal travel for business-related meetings and Company-paid subsidy for health club membership. The 2016 amount also includes $199,568 paid to Mr. Grimshaw, as previously agreed, to reimburse him for incremental Australian taxes he incurred as a result of the payment of his sign-on bonus in fiscal 2014 prior to his relocation to the U.S.

Mr. Given — The amount shown represents perquisites and other personal benefits, including spousal and family travel for business-related meetings.

Mr. Rotunda — The 2015 amount represents (a) $60,000 in cash and $160,460 in restricted stock awards Mr. Rotunda received as non-employee director compensation prior to his rejoining the Company as an executive officer in May 2015 and (b) $34,615 in fees paid pursuant to a consulting agreement that was terminated in November 2013.

Mr. Welch — The amounts shown represent Company-paid subsidy for health club membership.

Mr. Ashby — The 2017 amount includes $721,063 in aggregate cash payments to Mr. Ashby in connection with his termination of employment and departure from the Company effective May 8, 2017. See "Compensation Discussion and Analysis — Other Executive Compensation Matters — Severance" above. The remainder of the 2017 amount and the

2015 amount represent various perquisites and other personal benefits, including spousal travel and relocation costs.
Certain Termination and Change-in-Control Benefits — The following is a summary of various agreements that provide for benefits to the Named Executive Officers upon termination of employment or a change-in-control:

- Restricted Stock Award Agreements — The standard restricted stock award agreement pursuant to which we grant restricted stock or restricted stock units to our employees generally provides that vesting is accelerated in the event of the holder's death or disability.

Mr. Rotunda's current and future long-term incentive awards contain a special term providing for the continued vesting (rather than forfeiture) of all unvested awards in accordance with their terms (including corporate-level performance criteria) if Mr. Rotunda voluntarily retires from his executive position with the Company.

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SERP Contributions — For all executives (including the Named Executive Officers), any unvested Company contributions to the SERP will vest in the case of death or disability of the participant or a change-in-control.

- General severance benefits — We currently provide each of our executive officers with one year salary continuation if his or her employment is terminated by the Company without cause.

The following table sets forth the amounts of severance or termination benefits that would have been payable to each of the Named Executive Officers upon the occurrence of various events, assuming each of the events occurred on September 30, 2017, except for Mr. Ashby, whose severance benefits shown below reflect actual amounts paid to him upon his departure from the Company effective May 8, 2017.

	Salary	Incentive Bonus	Healthcare Payments	Accelerated Vesting of Restricted Stock (1)	Accelerated Vesting of SERP Balance	Other
Resignation for Good Reason:						
Mr. Grimshaw	$1,000,000	$ —	$ —	$—	$—	$ —
Mr. Chism	450,000	—	—	—	—	—
Mr. Given	600,000	—	—	—	—	—
Mr. Rotunda	675,000	—	—	—	—	—
Mr. Welch	410,000	—	—	—	—	—
Termination Without Cause:						
Mr. Grimshaw	$1,000,000	$ —	$ —	$—	$—	$ —
Mr. Chism	450,000	—	—	—	—	—
Mr. Given	600,000	—	—	—	—	—
Mr. Rotunda	675,000	—	—	—	—	—
Mr. Welch	410,000	—	—	—	—	—
Mr. Ashby (2)	700,000	—	—	41,303	54,073	21,063
Death or Disability:						
Mr. Grimshaw	$—	$ —	$ —	$7,556,272	$ 352,865	$ —
Mr. Chism	—	—	—	—	—	—
Mr. Given	—	—	—	3,121,881	214,783	—
Mr. Rotunda (3)	—	—	—	1,567,424	—	—
Mr. Welch (3)	—	—	—	1,211,459	—	—
Mr. Ashby	—	—	—	—	—	—

(1) Represents the number of shares subject to accelerated vesting (as described above), multiplied by the closing sales price of the Class A Common Stock on September 29, 2017 ($9.50).

(2) Mr. Ashby left the Company effective May 8, 2017, and the amounts shown were paid pursuant to his separation agreement. See “Compensation Discussion and Analysis — Other Executive Compensation Matters — Severance” above. The accelerated vesting of restricted stock amount reflects the closing sales price of the Class A Common Stock on May 9, 2017 ($8.85), the first trading day following the effective date of his departure from the Company. The accelerated vesting of SERP balance represents the unvested portion of Mr. Ashby’s SERP balance at May 8, 2017. The amount shown under Other represents payment or reimbursement for moving Mr. Ashby and his family back to Australia.

(3) Mr. Rotunda and Mr. Welch are fully vested in their SERP balances.

The Compensation Committee has the authority under our stock-based compensation plans to issue awards with provisions that accelerate vesting and exercisability in the event of a change-in-control. To date, the Committee has not included change-in-control acceleration provisions in any awards. Unless such provisions were subsequently included, then the only benefit that would inure to the Named Executive Officers by reason of a change-in-control itself would be the accelerated vesting for SERP contributions (equal to the same benefit as that set forth under “Death or Disability” in the table above). If an executive’s employment was terminated following a change-in-control, then the additional benefits described above would apply, depending on the circumstances of the termination.

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Director Compensation

Each non-employee director receives a basic annual retainer fee, with the chair of the Audit Committee and the chair of the Compensation Committee each receiving an additional amount. During fiscal 2017, the basic annual retainer fee was $80,000, and additional amounts paid to the chair of the Audit Committee and the chair of the Compensation Committee were $27,500 and $15,000, respectively. Annual retainer fees are paid in cash on a quarterly basis.

The non-employee directors are also eligible for stock option and restricted stock awards. The number of options or shares of restricted stock awarded, as well as the other terms and conditions of the awards (such as vesting and exercisability schedules and termination provisions), are determined by the Board of Directors upon the recommendation of the Compensation Committee.

The following table sets forth the compensation paid to our non-employee directors for fiscal 2017. Mr. Grimshaw, Mr. Given and Mr. Rotunda are executive officers of the Company and do not receive any additional compensation for serving on the Board of Directors.

Director	Fees Earned or Paid in Cash (1)	Restricted Stock Awards (2)	Total
Matthew Appel	$127,500	$139,200	$266,700
Santiago Creel Miranda	100,000	139,200	239,200
Peter Cumins	80,000	139,200	219,200
Pablo Lagos Espinosa	115,000	139,200	254,200
Thomas C. Roberts	100,000	139,200	239,200

(1) Amounts shown for Mr. Appel, Mr. Creel, Mr. Lagos and Mr. Roberts include $20,000 each for serving on the special acquisition committee appointed and commissioned by the Board of Directors to review, evaluate and approve the terms of the GPMX acquisition. See “Part III — Item 10 — Directors, Executive Officers and Corporate Governance — Corporate Governance — Meetings and Attendance” above. This special acquisition committee was formed in May 2017 and dissolved as of the completion of the GPMX acquisition in October 2017. In connection with the formation of the special acquisition committee, the Board of Directors approved a special fee of $5,000 per month for each member, commencing June 2017.

(2) Amounts represent the aggregate grant date fair value of restricted stock awards, computed in accordance with FASB ASC 718-10-25. See Note 9 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.” The actual value realized by the director with respect to stock awards will depend on the market value of our stock on the date the stock is sold.

Each non-employee director received a grant of 14,500 shares of restricted stock in November 2016. That amount was determined by dividing $160,000 (200% times the annual director fee) by $11.06, the trading price of the Class A Common Stock at the beginning of fiscal 2017. Half of these shares vested on September 30, 2017, and the remainder are scheduled to vest on September 30, 2018. The values shown above were computed using the closing price of our Class A Common Stock on the date of grant ($9.60 on November 8, 2016) which differed from the amount used to determine the number of shares awarded as the grant date in accordance with FASB ASC 718-10-25 was over a month after the determination date.

As of September 30, 2017, each of the non-employee directors held 7,250 shares of unvested restricted stock.

The non-employee director compensation program for fiscal 2018 will be the same as the fiscal 2017 program described above, except that 100% of the restricted stock award will vest after one year (i.e., on September 30, 2018).

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ITEM 12 — SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plans

Stockholders have approved the 2010 Long-Term Incentive Plan, which we currently use for stock incentive awards. These awards can be in the form of stock options, stock appreciation rights, stock bonuses, restricted stock, restricted stock units, performance units or performance shares. We do not have any equity compensation plans that were not approved by stockholders. The following table summarizes information about our equity compensation plans as of September 30, 2017:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options (a) (1)	Weighted Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	—	$ —	391,515
Equity compensation plans not approved by security holders	—	—	—
Total	—	$ —	391,515

(1) Excludes 2,413,783 shares of restricted stock that were outstanding as of September 30, 2017.

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Stock Ownership

Phillip E. Cohen controls EZCORP through his ownership of all of the issued and outstanding stock of MS Pawn Corporation, the sole general partner of MS Pawn Limited Partnership, which owns 100% of our Class B Voting Common Stock. The following table presents information regarding the beneficial ownership of our Common Stock as of October 31, 2017 (except as noted below) for (i) each person known to us to be the beneficial owner of more than 5% of the total number of shares outstanding, (ii) each of our directors, (iii) each of the Named Executive Officers (other than Mr. Ashby, who is no longer with the Company), and (iv) all directors and executive officers as a group. Unless otherwise indicated, each person named below holds sole voting and investment power over the shares shown, subject to community property laws where applicable.

	Class A Non-voting Common Stock				Class B Voting Common Stock		
Beneficial Owner	Number		Percent		Number	Percent	Voting Percent
MS Pawn Limited Partnership (a) MS Pawn Corporation Phillip Ean Cohen 2500 Bee Cave Road Bldg One, Suite 200 Rollingwood, Texas 78746	2,974,047	(b)	5.78 %	(b)	2,970,171	100 %	100 %
Blackrock, Inc. 55 East 52nd Street New York, New York 10055	5,958,000	(c)	11.59%		—	—	—
Lafitte Capital Management 707 Brazos Street, Suite 310 Austin, Texas 78701	4,400,000	(c)	8.56 %		—	—	—
Dimensional Fund Advisors 6300 Bee Cave Road, Building One Austin, Texas 78746	4,309,470	(d)	8.38 %		—	—	—
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, Pennsylvania 19355	3,668,171	(c)	7.13 %		—	—	—
Rovida Advisory Services, LLC One Gateway Ctr., #2530 Newark, New Jersey 07102	3,175,000	(e)	6.17 %				
Matthew W. Appel	47,250	(f)	*		—	—	—
Santiago Creel Miranda	59,250	(f)	*		—	—	—
Peter Cumins	49,250	(f)	*		—	—	—
Lachlan P. Given	129,487	(g)	*		—	—	—
Stuart I. Grimshaw	172,650	(h)	*		—	—	—
Pablo Lagos Espinosa	76,950	(f)	*		—	—	—
Thomas C. Roberts	91,950	(f)	*		—	—	—
Joseph L. Rotunda	748,505	(i)	1.46 %		—	—	—
Thomas H. Welch, Jr.	50,005	(j)	*		—	—	—
Directors and executive officers as a group (14 persons)	1,453,245	(k)	2.83 %		—	—	—

(a) MS Pawn Corporation is the general partner of MS Pawn Limited Partnership and has the sole right to vote its shares of Class B Common Stock and to direct their disposition. Mr. Cohen is the sole stockholder of MS Pawn Corporation.

(b) The number of shares and percentage reflect Class A Common Stock, inclusive of Class B Common Stock, shares of which are convertible to Class A Common Stock on a one-to-one basis.

(c) As of June 30, 2017. Based on the Form 13F filed in August 2017.

(d) As of September 30, 2017. Based on the Form 13F filed November 13, 2017.

(e) As of September 30, 2017. Based on the Form 13F filed November 9, 2017.

(f) Does not include 7,250 shares of unvested restricted stock.

(g) Does not include 150,000 shares of unvested restricted stock or 178,619 unvested restricted stock units (each of which represents the right to receive one share upon vesting).

(h) Does not include 200,000 other shares of unvested restricted stock or 595,397 unvested restricted stock units (each of which represents the right to receive one share upon vesting).

(i) Includes 1,865 shares held through the Company's 401(k) retirement savings plan and 4,940 shares of unvested restricted stock expected to vest within 60 days, but does not include 9,880 other shares of unvested restricted stock or 150,172 unvested restricted stock units (each of which represents the right to receive one share upon vesting).

(j) Includes 433 shares held through the Company’s 401(k) retirement savings plan and 8,000 shares of unvested restricted stock expected to vest within 60 days, but does not include 16,000 other shares of unvested restricted stock or 103,522 unvested restricted stock units (each of which represents the right to receive one share upon vesting).

(k) Group includes those persons who were serving as directors and executive officers on November 1, 2017. Number shown includes 2,298 shares held through the Company’s 401(k) retirement savings plan and 23,106 shares of unvested restricted stock expected to vest within 60 days, but does not include 37,880 other shares of unvested restricted stock or 1,733,973 unvested restricted stock units (each of which represents the right to receive one share upon vesting).

* Shares beneficially owned do not exceed one percent of Class A Common Stock.

ITEM 13 — CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Transactions

Review and Approval of Transactions with Related Persons

The Board of Directors has adopted a written comprehensive policy for the review and evaluation of all related party transactions. Under that policy, the Audit Committee is charged with the responsibility of (a) reviewing and evaluating all transactions, or proposed transactions, between the company and a related person and (b) approving, ratifying, rescinding or taking other action with respect to each such transaction. With respect to any specific transaction, the Audit Committee may, in its discretion, transfer its responsibilities to either the full Board of Directors or to any special committee of the Board of Directors designated and created for the purpose of reviewing, evaluating, approving or ratifying such transaction.

Acquisition of Assets from Cash Solution Centers, LLC

On August 14, 2017, we completed an acquisition of assets from Cash Solution Centers, LLC ("CSC"). The assets had been used by CSC in the operation of two pawn stores located in Central Texas. The aggregate purchase price was $700,329 and was paid in cash. Daniel M. Chism, who was appointed Chief Financial Officer of the Company effective May 9, 2017, was the owner of a 28% interest in CSC and, as such, had a personal interest in the transaction valued at $196,092. The terms of this transaction were reviewed and approved by the Audit Committee pursuant to the Company's Policy for Review and Evaluation of Related Party Transactions, and the execution and performance of the related Asset Purchase Agreement was approved by the full Board of Directors. Following completion of this transaction, Mr. Chism does not own any interest in any pawn-related businesses outside of his interest in the Company.

Director Independence

The Board of Directors believes that the interests of the stockholders are best served by having a substantial number of objective, independent representatives on the Board. For this purpose, a director is considered to be independent if the Board determines that the director does not have any direct or indirect material relationship with the Company that may impair, or appear to impair, the director’s ability to make independent judgments.

The Board has evaluated all relationships between each director and the Company and has made the following determinations with respect to each director’s independence:

Director	Status (a)
Matthew W. Appel	Independent
Santiago Creel Miranda	Independent
Peter Cumins	Not independent (b)
Pablo Lagos Espinosa	Independent
Lachlan P. Given	Not independent (c)
Stuart I. Grimshaw	Not independent (c)
Thomas C. Roberts	Independent
Joseph L. Rotunda	Not independent (c)

(a) The Board’s determination that a director is independent was made on the basis of the standards for independence set forth in the Nasdaq Listing Rules. Under those standards, a person generally will not be considered independent if he or she has a relationship that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Nasdaq rules also describe specific relationships that will prevent a person from being considered independent.

(b) Mr. Cumins is the Executive Vice Chairman and a member of the board of directors of Cash Converters International Limited. Mr. Grimshaw serves as the chairman of the board of directors of Cash Converters International, and Mr. Given also serves on the board of directors. Because of this relationship, The Board does not treat Mr. Cumins as an independent director, even though he might qualify as such under the Nasdaq Listing Rules.

(c) Mr. Grimshaw, Mr. Given and Mr. Rotunda are executive officers and, therefore, are not independent in accordance with the standards set forth in the Nasdaq Listing Rules.

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The Company has elected to apply the “Controlled Company” exemption to the Nasdaq requirement that a majority of the directors be considered independent under the standards set forth in the Nasdaq Listing Rules. See “Part III, Item 10 — Directors, Executive Officers and Corporate Governance — Corporate Governance — Controlled Company Exemptions.”

ITEM 14 — PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents all fees we incurred in connection with professional services provided by BDO USA, LLP for fiscal 2017 and 2016:

	Year Ended September 30, 2017	Year Ended September 30, 2016
Audit fees:		
Audit of financial statements and audit pursuant to section 404 of the Sarbanes-Oxley Act	$1,247,169	$1,518,547
Quarterly reviews and other audit fees	105,895	107,700
Total audit fees	1,353,064	1,626,247
Audit related fees (a)	77,758	12,000
Tax fees	—	—
Total fees for services	$1,430,822	$1,638,247

(a) Audit related fees consist primarily of (1) fees incurred in connection with the restatement of previously issued financial statements, including tax revisions in fiscal 2016 and (2) fees incurred in connection with our registration statements on Forms S-3, S-4 and S-8.

The amounts shown for fiscal 2017 include our current estimated costs for the fiscal 2017 integrated audit, for which we have not yet received final billings. The amounts shown for fiscal 2016 include an additional $184,300 of fees that were billed beyond our initial estimates for fiscal 2016 after we filed our Annual Report on Form 10-K for the year ended September 30, 2016.

The Audit Committee has adopted a policy requiring its pre-approval of all fees to be paid to our independent audit firm, regardless of the type of service. All non-audit services were reviewed with the Audit Committee, which concluded that the provision of such services by BDO USA, LLP was compatible with the maintenance of that firm’s independence in the conduct of its auditing functions.

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PART IV

ITEM 15 — EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this 10-K:

(1) Financial Statements

The following consolidated financial statements of EZCORP, Inc. are included in “Part II — Item 8 — Financial Statements and Supplementary Data”:

- Report of Independent Registered Public Accounting Firm (2017 and 2016) — BDO USA, LLP
- Consolidated Balance Sheets as of September 30, 2017 and 2016
- Consolidated Statements of Operations for each of the three years in the period ended September 30, 2017
- Consolidated Statements of Comprehensive Income (Loss) for each of the three years in the period ended September 30, 2017
- Consolidated Statements of Cash Flows for each of the three years in the period ended September 30, 2017
- Consolidated Statements of Stockholders’ Equity for each of the three years in the period ended September 30, 2017
- Notes to Consolidated Financial Statements.

(2) Financial Statement Schedules

Financial statement schedules are omitted because they are not required or are not applicable, or the required information is provided in the consolidated financial statements or notes described in Item 15(a)(1) above.

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(3) Exhibits

Exhibit No.	Description of Exhibit
2.1	Purchase Agreement, dated as of July 1, 2016, among Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R., Change Capital International Holdings, B.V., Alpha Holding, S.A. de C.V., Clarum Capital, L.P. and EZCORP, Inc. (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K dated July 6, 2016, Commission File No. 0-19424)
2.2	Amendment No. 2 to Purchase Agreement, dated September 27, 2017, among EZCORP, Inc.; Change Capital International Holdings, B.V.; and Alpha Holding, S.A. de C.V. (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K dated October 3, 2017, Commission File No. 0-19424)
2.3	Share Purchase Agreement, dated October 4, 2017, by and between EZCORP International Inc. and Black Icebreaker Corporation (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K dated October 10, 2017, Commission File No. 0-19424)
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K dated October 1, 2013, Commission File No. 0-19424)
3.2	Certificate of Amendment, dated March 25, 2014, to the Company’s Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 99.1 to the Company’s Current Report on Form 8-K dated March 25, 2014, Commission File No. 0-19424)
3.3	Amended and Restated By-Laws, effective July 20, 2014 (incorporated by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K dated July 18, 2014, Commission File No. 0-19424)
4.1	Specimen of Class A Non-voting Common Stock certificate (incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-1 effective August 23, 1991, Commission File No. 33-41317)
4.2	Description of EZCORP, Inc. Class A Non-voting Common Stock (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K dated October 1, 2013, Commission File No. 0-19424)
4.3	Indenture, dated June 23, 2014, between EZCORP, Inc., and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K dated June 17, 2014, Commission File No. 0-19424)
4.4	Indenture, dated July 5, 2017, between EZCORP, Inc., and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K dated July 6, 2017, Commission File No. 0-19424)
10.1*	EZCORP, Inc. Supplemental Executive Retirement Plan effective December 1, 2005 (incorporated by reference to Exhibit 10.94 to the Company’s Current Report on Form 8-K dated November 28, 2005 and filed December 1, 2005, Commission File No. 0-19424)
10.2*	Amended and Restated EZCORP, Inc. 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated December 21, 2016, Commission File No. 0-19424)
10.3*	Form of Protection of Sensitive Information, Noncompetition and Nonsolicitation Agreement between the Company and certain employees, including the executive officers (incorporated by reference to Exhibit 10.15 to the Company’s Annual Report on Form 10-K for the year ended September 30, 2010, Commission File No. 0-19424)
10.4*	Form of Restricted Stock Award for non-employee directors (incorporated by reference to Exhibit 10.17 to the Company’s Annual Report on Form 10-K for the year ended September 30, 2010, Commission File No. 0-19424)
10.5	Call Option Confirmation, dated June 17, 2014, between EZCORP, Inc. and Jefferies International Limited (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.6	Call Option Confirmation, dated June 17, 2014, between EZCORP, Inc. and Morgan Stanley & Co. International plc (incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q

	for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.7	Call Option Confirmation, dated June 17, 2014, between EZCORP, Inc. and UBS AG, London Branch (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.8	Warrant Confirmation, dated June 17, 2014, between EZCORP, Inc. and Jefferies International Limited (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.9	Amendment Agreement (Warrant Confirmation), dated June 27, 2014, between EZCORP, Inc. and Jefferies International Limited (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)

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10.10	Warrant Confirmation, dated June 17, 2014, between EZCORP, Inc. and Morgan and Stanley & Co. International plc (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.11	Amendment Agreement (Warrant Confirmation), dated June 27, 2014, between EZCORP, Inc. and Morgan Stanley & Co. International plc (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.12	Warrant Confirmation, dated June 17, 2014, between EZCORP, Inc. and UBS AG, London Branch (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.13	Amendment Agreement (Warrant Confirmation), dated June 27, 2014, between EZCORP, Inc. and UBS AG, London Branch (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.14	Additional Call Option Confirmation, dated June 27, 2014, between EZCORP, Inc. and Jefferies International Limited (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.15	Additional Call Option Confirmation, dated June 27, 2014, between EZCORP, Inc. and Morgan Stanley & Co. International plc (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.16	Additional Call Option Confirmation, dated June 27, 2014, between EZCORP, Inc. and UBS AG, London Branch (incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.17	Additional Warrant Confirmation, dated June 27, 2014, between EZCORP, Inc. and Jefferies International Limited (incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.18	Additional Warrant Confirmation, dated June 27, 2014, between EZCORP, Inc. and Morgan Stanley & Co. International plc (incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.19	Additional Warrant Confirmation, dated June 27, 2014, between EZCORP, Inc. and UBS AG, London Branch (incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.20*	Financing Agreement, dated September 12, 2016, among EZCORP, Inc. (as Borrower), certain subsidiaries of the Borrower from time to time party thereto (as Guarantors), certain Lenders, and Fortress Credit Co LLC (as Administrative Agent and Collateral Agent) (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended September 30, 2017, Commission File No. 0-19424)
10.21	Purchase Agreement, dated June 29, 2017, between EZCORP, Inc., and UBS Securities LLC and Jefferies LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 6, 2017, Commission File No. 0-19424)
10.22	Call Option Termination Agreement, dated June 29, 2017, between EZCORP, Inc., and UBS AG, London Branch (incorporated by reference to exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File No. 0-19424)
10.23	Warrant Termination Agreement, dated June 29, 2017, between EZCORP, Inc., and UBS AG, London Branch (incorporated by reference to exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File No. 0-19424)
10.24	Call Option Termination Agreement, dated June 29, 2017, between EZCORP, Inc., and Jefferies International Limited (incorporated by reference to exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File No. 0-19424)
10.25	Warrant Termination Agreement, dated June 29, 2017, between EZCORP, Inc., and Jefferies International Limited (incorporated by reference to exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File No. 0-19424)

10.26	Call Option Termination Agreement, dated June 29, 2017, between EZCORP, Inc., and Morgan Stanley & Co. International plc (incorporated by reference to exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File No. 0-19424)
10.27	Warrant Termination Agreement, dated June 29, 2017, between EZCORP, Inc., and Morgan Stanley & Co. International plc (incorporated by reference to exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File No. 0-19424)
10.28	Separation Agreement and Release dated May 2, 2017, between EZCORP, Inc., and Mark Ashby, former Chief Financial Officer (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated May 3, 2017, Commission File No. 0-19424)
21.1†	Subsidiaries of EZCORP, Inc.

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23.1†	Consent of BDO USA, LLP
31.1†	Certification of Stuart I. Grimshaw, Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2†	Certification of Daniel M. Chism, Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1††	Certification of Stuart I. Grimshaw, Chief Executive Officer, and Daniel M. Chism, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Letter Agreement, dated as of September 27, 2017, among Prestaciones Finmart S.A.P.I. de C.V., SOFOM, E.N.R.; Alpha Holding, S.A. de C.V.; Texas EZPAWN L.P.; and EZPAWN Management Mexico, S. de R.L. de C.V. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated October 3, 2017, Commission File No. 0-19424)
101.INS†††	XBRL Instance Document
101.SCH†††	XBRL Taxonomy Extension Schema Document
101.CAL†††	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB†††	XBRL Taxonomy Label Linkbase Document
101.DEF†††	XBRL Taxonomy Extension Definition Linkbase Document
101.PRE†††	XBRL Taxonomy Extension Presentation Linkbase Document

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* Identifies Exhibit that consists of or includes a management contract or compensatory plan or arrangement.

† Filed herewith.

†† Furnished herewith.

††† Filed herewith as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at September 30, 2017, and September 30, 2016; (ii) Consolidated Statements of Operations for the years ended September 30, 2017, September 30, 2016 and September 30, 2015; (iii) Consolidated Statements of Comprehensive Income (Loss) for the years ended September 30, 2017, September 30, 2016 and September 30, 2015; Consolidated Statements of Cash Flows for the for the years ended September 30, 2017, September 30, 2016 and September 30, 2015; Consolidated Statements of Shareholders' Equity for the years ended September 30, 2017, September 30, 2016 and September 30, 2015; and (iv) Notes to Consolidated Financial Statements.

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SIGNATURES

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:

EZCORP, Inc.

Date: November 15, 2017 By: /s/ Daniel M. Chism
Daniel M. Chism,
Chief Financial
Officer

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	Title	Date
/s/ Stuart I. Grimshaw Stuart I. Grimshaw	Chief Executive Officer and Director (principal executive officer)	November 15, 2017
/s/ Daniel M. Chism Daniel M. Chism	Chief Financial Officer (principal financial officer)	November 15, 2017
/s/ Lachlan P. Given Lachlan P. Given	Executive Chairman of the Board	November 15, 2017
/s/ Matthew W. Appel Matthew W. Appel	Director	November 15, 2017
/s/ Santiago Creel Miranda Santiago Creel Miranda	Director	November 15, 2017
/s/ Peter Cumins Peter Cumins	Director	November 15, 2017
/s/ Pablo Lagos Espinosa Pablo Lagos Espinosa	Director	November 15, 2017
/s/ Thomas C. Roberts Thomas C. Roberts	Director	November 15, 2017
/s/ Joseph L. Rotunda Joseph L. Rotunda	Director	November 15, 2017

/s/ David McGuire	Deputy Chief Financial Officer and Chief Accounting Officer (principal accounting officer)	November 15, 2017

David McGuire

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