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Please Reply To:
Tallahassee

February 6, 1997

970178-TX

Ms. Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

RE: ALEC Application - Title Loans of America, Inc. d/b/a
Securetel
File No. 97.2012

Dear Ms. Bayo:

Attached please find the original and six copies of the ALEC application of Securetel along with a check in the amount of \$250.00 for the filing fee.

The expedited processing of this application is requested. Please contact me if any additional information is needed in order to file this application.

Very truly yours,

Suzanne Brownless
Suzanne Brownless
Attorney for Securetel

c:1743
cc: Rod Aycox, President

Check received with filing and
forwarded to Fiscal for deposit.
Fiscal to forward a copy of check
to RAR with proof of deposit.

Initials of person who forwarded check:

A.G.

DOCUMENT NUMBER - DATE

01488 FEB 10 97

FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION
2450 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

APPLICATION FORM
for

AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF FLORIDA

1. This is an application for:

Original Authority (new company)

2. Name of Applicant:

Title Loans of America, Inc., d/b/a Securetel, a
Florida Corporation.

3. A. National mailing address including street name, number,
post office box, city, state, zip code and phone
number:

8601 Dunwoody Place, Suite 406
Atlanta, Georgia 30350

(800) 820-2886 (800) 700-4449 Fax
(770) 552-9840

B. Florida mailing address including street name, number,
post office box, city, state, zip code, and phone
number:

n/a

C. Physical address of alternative local exchange service
in Florida including street name, number, post office
box, city, state, zip code, and phone number:

n/a

4. Structure of organization:

Florida Corporation. An organizational chart is
attached hereto as Exhibit A.

DOCUMENT NUMBER-DATE
01488 FEB 10 5
FPSC-RECORDS/REPORTING

5. If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Title Loans of America is a duly registered Florida corporation, assigned document number P94000033827, and authorized to do business in the State of Florida. Attached hereto as Exhibit B is certification from the Department of State.

6. Name under which the applicant will do business (d/b/a):

Securetel

7. If applicable, please provide proof of fictitious name (d/b/a) registration.

Attached as Exhibit C, Title Loans of America d/b/a Securetel has registered with the Department of State and been assigned the fictitious registration number G97029900020.

8. If applicant is an individual, partnership or joint venture, please give name, title and address of each legal entity.

n/a

9. State whether any of the officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

None.

10. Please provide the name, title, address, telephone number, internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.

Rod Aycox, President and CEO
8601 Dunwoody Place, Suite #406
Atlanta, Georgia 30350
(800) 820-2886; (800) 700-4449 fax

11. Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.

None.

12. Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.

n/a

13. Have penalties been imposed against the applicant in any other state? If so, please list the reason for the penalty.

n/a

14. Please indicate how a customer can file a service complaint with your company.

A customer may file a complaint with our company either by calling (800) 820-2886 toll free, or by mailing such complaint to our offices. Such complaint should include the person's name, address, telephone number and the nature of the complaint. Our customer service hours at our corporate headquarters are 8:30 a.m. to 5:30 p.m., Monday thru Friday. In addition, we are establishing a Tallahassee office and anticipate its hours of operation to be 10:00 a.m. to 6:00 p.m., Monday thru Friday, and 10:00 a.m. to 2:00 p.m. on Saturday.

15. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.

A. Financial capability

Financial statements are attached hereto as Exhibit D.

Company Background.

Title Loans of America (TLA) is a well established corporation, presently operating in 12 states. In existence since 1993, TLA is a financially sound corporation with the following officers:

President and CEO, Rod Aycox
Chief Financial Officer, Terry Fields
V.P., Operations, Tim Newell
General Counsel, John McClusky
MIS Director, Paul Bryant

The company possesses sufficient financial capability through its existing income, assets and favorable credit standing to meet the requirements of the Commission and of Chapter 364, Florida Statutes, to operate as an alternative local exchange service provider.

B. Managerial Capability

The officers listed above believe that they possess the managerial capabilities needed to satisfy the needs of consumers and the Commission in the State of Florida. As founder of TLA, Mr. Aycox is well versed in new business start up, with a proven track record in varied business interests. His role in developing Securetel in Florida will be long range planning and expansion of the local exchange company. Mr. Fields, as a licensed CPA with 20 years of experience, will naturally focus on the financial health of the company. Finally, Mr. Newell's formal business training at the University of Alabama's School of Business, coupled with his management of day to day operations for TLA will serve the new venture well. In summary, the business acumen and experience of the officers, combined with the addition of Managers with local exchange operations experience, will guarantee the financial and managerial stability of Securetel in Florida.

C. Technical Capability

In addition to the experience noted above, the company's MIS Director will be responsible for fulfilling the technical needs and responsibilities of the business unit in Florida. Further, Securetel will require of its managers formal training in residential installations and applications, as well as resale specifications. Securetel's technical capability is solidified by the Incumbent Local Exchange Company (ILEC), as the company plans to operate wholly as a reseller. Each of the ILECs have teams of technical support staff assigned to resellers and their needs.

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

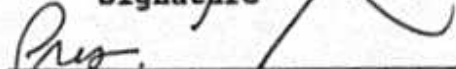
Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

Official:


Signature

1/31/97
Date

Title:


Title

800 820-2886
Telephone Number

Address: 8601 Dunwoody Place, Suite 406
Atlanta, Georgia 30350

EXHIBIT A

Organizational Chart

EXHIBIT A

ORGANIZATION

TITLE LOANS OF AMERICA, INC.
Operations in 12 states

SECURETEL
Assumed name
Reseller of local exchange services

EXHIBIT B

Certification of Corporate Status, Florida Department of State

State of Florida



Department of State

I certify from the records of this office that TITLE LOANS OF AMERICA, INC. is a corporation organized under the laws of the State of Florida, filed on May 2, 1994.

The document number of this corporation is P94000033827.

I further certify that said corporation has paid all fees and penalties due this office through December 31, 1996, that its most recent annual report was filed on May 1, 1996, and its status is active.

I further certify that said corporation has not filed Articles of Dissolution.

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capital, this the
Twenty-ninth day of January, 1997



CR2EO22 (1-95)

Sandra B. Northam

Sandra B. Northam
Secretary of State

EXHIBIT C

**Registration of Fictitious Name
Florida Department of State**



FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

January 29, 1997

SECURETEL
8601 DUNWOODY PLACE
STE 406
ATLANTA, GA 30350

Subject: **SECURETEL**

REGISTRATION NUMBER: **G97029900020**

This will acknowledge the filing of the above fictitious name registration which was registered on January 29, 1997. This registration gives no rights to ownership of the name.

Each fictitious name registration must be renewed every five years between July 1 and December 31 of the expiration year to maintain registration. Three months prior to the expiration date a statement of renewal will be mailed.

IT IS THE RESPONSIBILITY OF THE BUSINESS TO NOTIFY THIS OFFICE IN WRITING IF THEIR MAILING ADDRESS CHANGES. Whenever corresponding please provide assigned Registration Number.

Enclosed is your certificate(s) as requested.

Should you have any questions regarding this matter you may contact our office at (904) 488-9000.

Public Assistance
Division of Corporations

Letter No. 497A00004633

State of Florida



Department of State

I certify from the records of this office that SECURETEL is a Fictitious Name registered with the Department of State on January 29, 1997.

The Registration Number of this Fictitious Name is G97029900020.

I further certify that said Fictitious Name Registration is active.

I further certify that the attached is a listing of the name(s) and address(es) of the registrant(s) along with the county (or counties) designated for said Fictitious Name Registration.

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capital, this the
Twenty-ninth day of January, 1997



CR2EO22 (1-95)

Sandra B. Northam

Sandra B. Northam
Secretary of State

EXHIBIT D

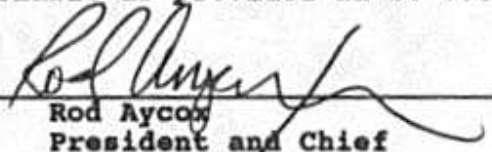
**Reviewed Financial Statements
Affidavit**

AFFIDAVIT

I HEREBY CERTIFY that the attached combined balance sheets of Title Loans of America, Inc. and Affiliates, and the related combined statements of income, shareholder's equity and cash flows is true and correct to the best of my knowledge and belief.



Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082, and s. 775.083."

Official:


Rod Aycox
President and Chief
Executive Officer

1/31/97
Date

Address: 8601 Dunwoody Place, Suite 406
Atlanta, Georgia 30350



Title Loans of America, Inc.

Reviewed Financial Statements
Periods Ended September 30, 1996

IBDO
BDO Seidman, LLP
Accountants and Consultants

Title Loans of America, Inc.

Financial Statements
Periods Ended September 30, 1996



BDO Seidman, LLP
Accountants and Consultants

285 Peachtree Center Avenue, Suite 600
Atlanta, Georgia 30303-1230
Telephone: (404) 668-6641
Fax: (404) 668-1075

Report on Reviewed Financial Statements

Title Loans of America, Inc.
Atlanta, Georgia

We have reviewed the accompanying combined balance sheets of Title Loans of America, Inc. and Affiliates as of September 30, 1996, and the related combined statements of income, shareholders' equity, and cash flows for the periods then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Title Loans of America, Inc. and Affiliates.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

BDO Seidman, LLP

November 8, 1996

TITLE LOANS OF AMERICA, INC. AND AFFILIATES

COMBINED BALANCE SHEET

SEPTEMBER 30, 1996
(Unaudited)

ASSETS

	September 30, 1996
CASH.....	\$ 1,246,890
LOANS RECEIVABLE.....	28,169,301
Less: Allowance for Losses.....	(2,092,509)
Unearned Income.....	<u>(2,284,815)</u>
Net Loans.....	<u>23,791,977</u>
AUTOMOBILE INVENTORY.....	✓ <u>1,034,859</u>
PROPERTY AND EQUIPMENT:	
Land.....	65,268
Buildings.....	623,888
Equipment.....	2,105,558
Leasehold Improvements.....	1,413,638
Less: Accumulated Depreciation.....	<u>(444,481)</u>
Net Property.....	<u>3,763,871</u>
OTHER ASSETS.....	<u>1,577,363</u>
TOTAL ASSETS.....	<u>\$ 31,414,960</u>

See Notes to Combined Financial Statements.

TITLE LOANS OF AMERICA, INC. AND AFFILIATES

COMBINED BALANCE SHEET

SEPTEMBER 30, 1996
(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 1996
Borrowings:	
Note Payable.....	\$ 14,024,696
Shareholders' Notes Payable.....	<u>8,010,685</u>
Total Borrowings.....	22,035,381
SHAREHOLDER DISTRIBUTION PAYABLE..	2,914,200
ACCOUNTS PAYABLE AND ACCRUED EXPENSES.....	876,391
MORTGAGES PAYABLE.....	382,189
Total Liabilities.....	<u>26,208,161</u>
COMMITMENTS AND CONTINGENCIES.....	----
SHAREHOLDERS' EQUITY:	
Common Stock.....	124,000
Retained Earnings.....	<u>5,082,799</u>
Total Shareholders' Equity.....	<u>5,206,799</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	<u>\$ 31,414,960</u>

See Notes to Combined Financial Statements.

TITLE LOANS OF AMERICA, INC. AND AFFILIATES

COMBINED STATEMENTS OF INCOME

FOR THE NINE MONTHS AND QUARTER ENDED SEPTEMBER 30, 1996
(Unaudited)

	Nine Months Ended September 30, <u>1996</u>	Quarter Ended September 30, <u>1996</u>
INTEREST AND FEES EARNED.....	\$ 33,410,504	\$13,261,772
INTEREST EXPENSE.....	<u>1,680,758</u>	<u>661,824</u>
NET INTEREST AND FEE INCOME.....	31,729,746	12,599,948
Less: Provision For Losses.....	<u>4,927,000</u>	<u>2,200,000</u>
OPERATING MARGIN.....	<u>26,802,746</u>	<u>10,399,948</u>
 OPERATING EXPENSES:		
Personnel Expense.....	6,209,695	2,420,952
Occupancy Costs.....	3,907,192	1,488,950
Advertising.....	2,662,097	1,096,154
Professional Fees.....	1,005,516	219,001
Inventory Costs.....	495,609	156,255
Other Expenses.....	<u>2,292,353</u>	<u>839,423</u>
Total Operating Expenses.....	<u>16,572,462</u>	<u>6,220,735</u>
 NET INCOME.....	 <u>\$ 10,230,284</u>	 <u>\$ 4,179,213</u>

See Notes to Combined Financial Statements.

TITLE LOANS OF AMERICA, INC. AND AFFILIATES
 COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996
 (Unaudited)

	<u>Common Stock</u>		<u>Retained</u>
	<u>Shares</u>	<u>Amount</u>	<u>Earnings</u>
Balance, December 31, 1995.....	75,000	\$ 75,000	\$ 2,813,014
Shares Issued.....			
Shareholder Cash Distributions....			
Net Income.....			<u>3,812,047</u>
Balance, March 31, 1996.....	75,000	75,000	6,625,061
Shares Issued.....	23,000	23,000	
Shareholder Cash Distributions....			(4,360,499)
Shareholder Accrued Distributions..			(1,700,000)
Net Income.....			<u>2,239,024</u>
Balance, June 30, 1996.....	98,000	98,000	2,803,586
Shares Issued.....	26,000	26,000	
Shareholder Cash Distributions....			(685,800)
Shareholder Accrued Distributions..			(1,214,200)
Net Income.....			<u>4,179,213</u>
Balance, September 30, 1996.....	<u>124,000</u>	<u>\$ 124,000</u>	<u>\$ 5,082,799</u>

See Notes to Combined Financial Statements.

TITLE LOANS OF AMERICA, INC. AND AFFILIATES

COMBINED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS AND THE QUARTER ENDED SEPTEMBER 30, 1996
(Unaudited)

	Nine Months Ended September 30, 1996	Quarter Ended September 30, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income.....	\$10,230,284	\$ 4,179,213
Adjustments to reconcile net income to net cash provided by operations:		
Provision for Losses.....	4,927,000	2,200,000
Depreciation expense.....	173,393	57,797
(Increase) in Other Assets.....	(864,174)	(951,063)
Increase in Accounts Payable and.....		
Accrued Expenses.....	134,308	438,600
Net Cash Provided.....	<u>14,600,811</u>	<u>5,924,547</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans made or renewed.....	(164,339,439)	(67,828,399)
Loans repaid or renewed.....	151,841,521	61,032,370
(Increase) in Automobile Inventory.....	(265,014)	(110,433)
Capital expenditures.....	(1,694,736)	(757,498)
Net Cash Used.....	<u>(14,457,668)</u>	<u>(7,663,960)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Borrowings of Debt.....	5,105,210	2,805,369
Proceeds from Mortgages Payable.....	98,250	----
Repayment of Mortgages Payable.....	(99,318)	(27,793)
Distributions to Shareholders.....	(5,046,299)	(685,800)
Capital Stock issued.....	49,000	26,000
Net Cash Provided.....	<u>106,843</u>	<u>2,117,776</u>
NET INCREASE IN CASH.....	249,986	378,363
CASH, beginning	996,904	868,527
CASH, ending.....	<u>\$ 1,246,890</u>	<u>\$ 1,246,890</u>

See Notes to Combined Financial Statements.

TITLE LOANS OF AMERICA, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND THE QUARTER ENDED SEPTEMBER 30, 1996

Note 1 - Summary of Significant Accounting Policies

Business

Title Loans of America, Inc. and its affiliated companies (the "Company") is in the business of making consumer loans collateralized by automobile titles. The Company operates in 9 states, primarily in the Southeastern United States and is comprised of a management company, a used car sales company and 123 lending offices at September 30.

Basis of Presentation

The accompanying combined financial statements include the accounts of Title Loans of America, Inc. and all affiliated companies and are presented on a combined basis due to common ownership among all of the entities. All significant intercompany balances and transactions have been eliminated.

Results of operations and cash flows for interim periods are not necessarily indicative of what results of operations and cash flows will be for the entire year.

Loans Receivable and Income Recognition

Loans Receivable are made for periods ranging from 30 to 90 days, with the majority being for a 30 day term. These loans are made under applicable state laws and are collateralized by automobiles with the Company retaining possession of the automobile title. Interest and fees on the loans are deferred at the time the loan is made and recognized in income using a constant yield basis over the term of the loan. The Company does not accrue income past the contractual maturity date and recognizes late fees and interest only to the extent received in cash.

Allowance for Losses

The Allowance for Losses is established through a provision for losses that is charged to expense. When a loan is determined to be uncollectible, it is charged against the Allowance for Losses. Recoveries of charged off loans are credited to this account. The difference in the balance due and net realizable value of a repossessed loan is also charged against the Allowance for Losses prior to recording the collateral as inventory. The allowance represents management's best estimate of an amount that will be adequate to absorb the inherent credit losses in the receivables and market fluctuations in the collateral. These estimates are based on evaluations of such factors as the collectibility of the receivables, delinquency, changes in the composition of the portfolio, overall quality of the portfolio and the underlying value of the collateral.

Automobile Inventory

Automobile Inventory represents automobiles repossessed from customers that did not repay their contractual loan obligation. Upon repossession, the automobile is written down to its estimated net realizable value and the difference in this amount and the balance due on the loan is charged against the Allowance for Losses. Inventory is carried at estimated net realizable value and any subsequent gain or loss on the sale of inventory is recognized at the time of sale.

Property and Equipment

Property and Equipment is recorded at cost and depreciated on a straight line basis over the useful lives of the assets.

Advertising Expenses

The costs of communicating advertising, such as television and radio air time or print media, are expensed as incurred.

Income Taxes

The Company has elected Subchapter S tax status and therefore is not liable for income taxes as all income or loss is passed through to the individual shareholders.

Fair Value of Financial Instruments

Loans Receivable - the carrying amount approximates fair value because of the short term maturity of these instruments.

Borrowings - due to the short term maturities and adjustable interest rates, the carrying value of these notes approximates fair value.

Mortgages Payable - these mortgages have interest rates that are similar to current mortgage rates obtainable by the Company and therefore the carrying value approximates fair value.

Estimates

The preparation of the combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Concentration of Credit Risk

The Company has funds in excess of \$100,000 in one financial institution. No losses have resulted from this concentration.

Note 2 - Allowance for Losses

An analysis of the Allowance for Losses for the nine months and the quarter ended September 30, 1996 is as follows:

	<u>Nine Months</u>	<u>Quarter</u>
Beginning Balance.....	\$ 1,360,929	\$ 1,644,000
Provision for Losses.....	4,927,000	2,200,000
Charge offs, net of recoveries.....	<u>(4,195,420)</u>	<u>(1,751,401)</u>
Ending Balance.....	<u>\$ 2,092,509</u>	<u>\$ 2,092,509</u>

Note 3 - Note Payable

The note payable represents borrowings under a credit line with a major factoring company. Amounts borrowed under the line are due on demand, but if no demand is made, the note is due on November 30, 1996. The note agreement requires, among other things, that Shareholders' Equity plus Shareholders' Notes Payable be greater than \$1,500,000. The agreement allows shareholder distribution payments and/or payments of principal and interest on Shareholders' Notes Payable, as long as the balance after such payments exceeds \$3,000,000. All assets, except certain land and buildings that have prior liens (see Note 4), are pledged as collateral under the agreement. Additionally, all shareholders have personally guaranteed the note. The factoring company has given assurances to the Company that it is their intention to refinance the line of credit through at least January 1, 1997, assuming that the Company is in compliance with all material provisions of the agreement and assuming that the Company's financial condition does not deteriorate in a materially adverse fashion. Subsequent to September 30, 1996, the Company amended its credit line which extended the maturity date to October 22, 1997, increased the minimum amount of Shareholders' Equity plus Shareholders' Notes Payable to \$4,475,000 and added a requirement for minimum quarterly net income to be at least \$1,500,000. All other provisions of the credit line were not substantially changed.

Note 4 - Mortgages Payable

Mortgages payable consist of mortgages on land and buildings that are used in the operations and are collateralized by \$613,327 of land and buildings at September 30. The mortgages have interest rates ranging from 8.0% to 9.25%, maturity dates from 1997 to 2000 and principal payments of \$28,136 due in 1996, \$113,843 in 1997, \$99,524 in 1998, \$77,949 in 1999 and \$62,737 in 2000.

Note 5 - Shareholders' Transactions

The Shareholders' Notes Payable are at interest rates ranging from 8% to 12%, are due on demand, but if no demand is made, they are due December 31, 1998 and are subordinated to borrowings from the factoring company (see Note 3). Interest due on these loans was added to the principal amount of the loans during the periods.

Additionally, Other Assets include \$105,163 of advances due from shareholders at September 30. These advances are at rates of interest ranging from 8% to 12% and are due on demand. Repayment of these advances is anticipated to be made from shareholder distributions. See Note 6.

The Company accrues Shareholder distributions for the estimated income tax liability resulting from the pass through of the Company's net income to the individual Shareholders. Accordingly, the Shareholder Distribution Payable of \$2,914,200 at September 30 represents amounts due Shareholders for their tax liability on the Company's net income for the nine months ended September 30. Payments of this amount are made at dates which correspond to the Shareholders' required tax payment dates. As a result, \$700,000 is anticipated to be paid in January 1997 and \$2,214,200 in April, 1997. See Note 6.

The Company has obtained assurance from its major shareholder that it is his intention to financially support the operations of the Company through at least January 1, 1997.

Note 6 - Retained Earnings

Since the Company has elected Subchapter S tax status, the tax liability for the Company's net income is the responsibility of the individual shareholders. Accordingly, the Company makes distributions to the shareholders for their tax liability and repayment of their advances. See Note 5.

Note 7 - Capital Stock

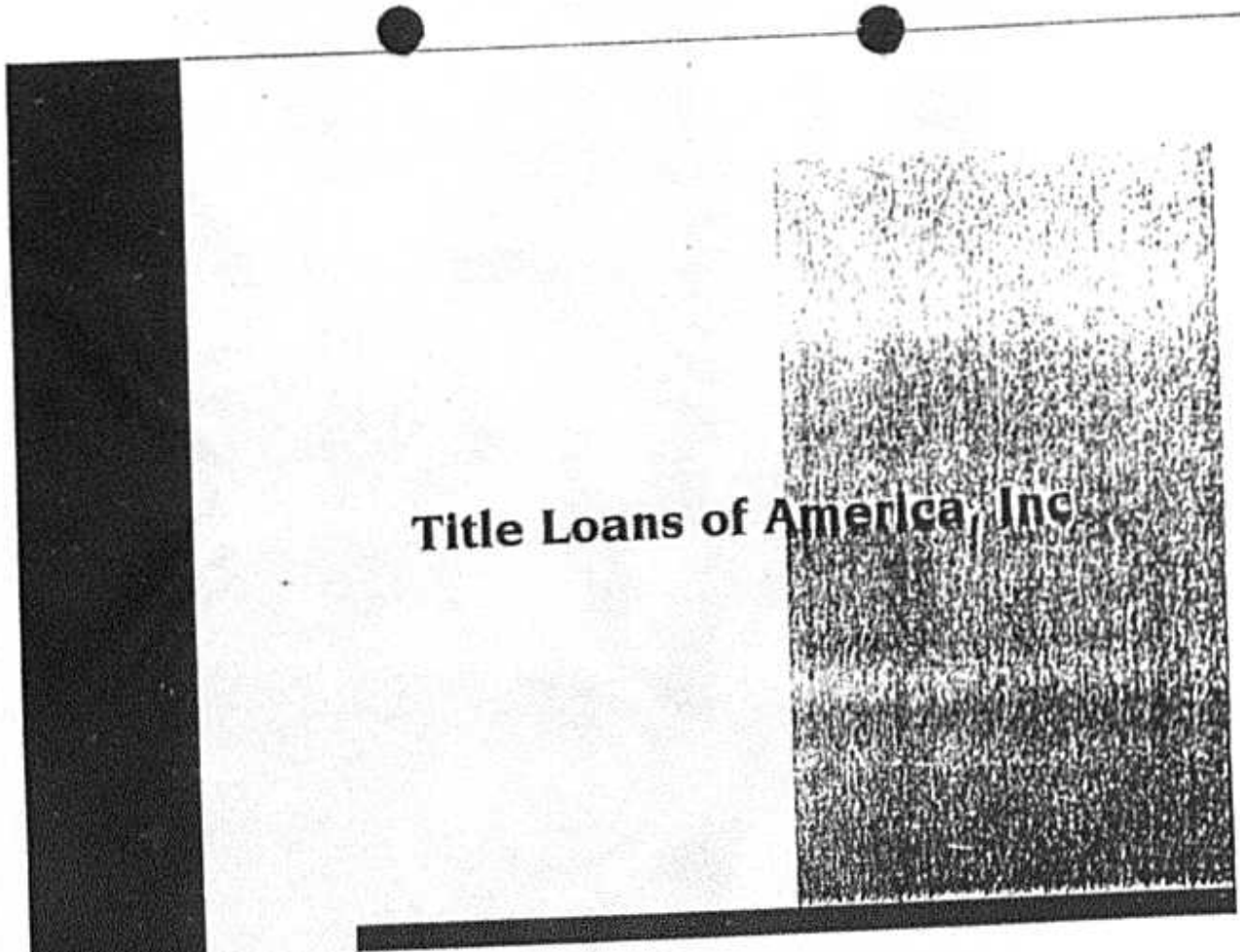
The Company is comprised of separate corporations with each corporation having shareholders with similar ownership percentages. The number of shares of common stock authorized, issued and outstanding vary among the entities. All shares have a par value of \$1.00 per share.

Note 8 - Commitments and Contingencies

The Company is from time to time a defendant in legal actions from normal business activities. Management does not anticipate that the ultimate liability from litigation outstanding at September 30 will have a materially adverse effect on the Company's financial statements.

The Company's operations are conducted primarily in locations which are occupied under operating lease agreements. Under the existing noncancelable leases, the Company's future minimum aggregate rental commitment at December 31, 1995, amounts to \$1,845,934 for 1996, \$1,736,589 for 1997, \$1,637,178 for 1998, \$1,201,823 for 1999, \$676,373 for 2000 and \$1,714,764 beyond. The Company's total future commitment is \$8,813,025 at December 31, 1995.

During 1996, the Company entered into additional noncancellable leases due to its increase in the number of lending offices. These leases have terms which do not differ substantially from those in effect as of December 31, 1995.



Title Loans of America, Inc.

Financial Statements
Year Ended December 31, 1995

IBDO

BDO Seidman, LLP
Accountants and Consultants

Title Loans of America, Inc

Financial Statements
Year Ended December 31, 1995



BDO Seidman, LLP
Accountants and Consultants

285 Peachtree Center Avenue, Suite 800
Atlanta, Georgia 30303 1210
Telephone: (404) 688 6841
Fax: (404) 688 1075

INDEPENDENT AUDITORS' REPORT

We have audited the combined balance sheet of Title Loans of America, Inc. and Affiliates as of December 31, 1995, and the related combined statements of income (loss), shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The combined financial statements of Title Loans of America, Inc. and Affiliates as of December 31, 1994, were audited by other auditors whose report dated January 20, 1995, expressed an unqualified opinion on those statements.

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

In our opinion, the 1995 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Title Loans of America, Inc. and Affiliates as of December 31, 1995, and the combined results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

June 11, 1996

BDO Seidman, LLP

TITLE LOANS OF AMERICA, INC. AND AFFILIATES

COMBINED BALANCE SHEETS

DECEMBER 31, 1995 AND 1994

ASSETS

	<u>1995</u>	<u>1994</u>
CASH.....	\$ 996,904	\$ 759,266
LOANS RECEIVABLE.....	20,024,380	8,435,619
Less: Allowance for Losses.....	(1,360,929)	(200,764)
Unearned Income.....	(2,442,392)	(624,804)
Net Loans.....	<u>16,221,059</u>	<u>7,610,051</u>
AUTOMOBILE INVENTORY.....	<u>769,845</u>	<u>65,763</u>
PROPERTY AND EQUIPMENT:		
Land.....	44,268	14,268
Buildings.....	513,888	213,887
Equipment.....	1,196,727	457,186
Leasehold Improvements.....	758,734	272,662
Less: Accumulated Depreciation.....	(271,089)	(39,900)
Net Property.....	<u>2,242,528</u>	<u>918,103</u>
OTHER ASSETS.....	<u>713,189</u>	<u>73,667</u>
TOTAL ASSETS.....	<u>\$20,943,525</u>	<u>\$9,426,850</u>

See Notes to Combined Financial Statements.

TITLE LOANS OF AMERICA, INC. AND AFFILIATES

COMBINED BALANCE SHEETS

DECEMBER 31, 1995 AND 1994

LIABILITIES AND SHAREHOLDERS' EQUITY

	1995	1994
BORROWINGS:		
Note Payable.....	\$10,063,432	\$5,379,343
Shareholders' Notes Payable.....	<u>6,866,739</u>	<u>3,446,486</u>
Total Borrowings.....	16,930,171	8,825,829
ACCOUNTS PAYABLE AND ACCRUED EXPENSES.....	742,083	451,271
MORTGAGES PAYABLE.....	383,257	135,341
Total Liabilities.....	<u>18,055,511</u>	<u>9,412,441</u>
COMMITMENTS AND CONTINGENCIES.....	----	----
SHAREHOLDERS' EQUITY:		
Common Stock.....	75,000	40,000
Retained Earnings (Deficit).....	<u>2,813,014</u>	<u>(25,591)</u>
Total Shareholders' Equity.....	2,888,014	14,409
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	<u>\$20,943,525</u>	<u>\$9,426,850</u>

See Notes to Combined Financial Statements.

TITLE LOANS OF AMERICA, INC. AND AFFILIATES

COMBINED STATEMENTS OF INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
INTEREST AND FEES EARNED.....	\$23,014,148	\$4,844,753
INTEREST EXPENSE.....	<u>1,514,083</u>	<u>395,372</u>
NET INTEREST AND FEE INCOME.....	21,500,065	4,449,381
Less: Provision For Losses.....	<u>5,349,169</u>	<u>200,764</u>
OPERATING MARGIN.....	<u>16,150,896</u>	<u>4,248,617</u>
OPERATING EXPENSES:		
Personnel Expense.....	4,381,968	1,358,202
Occupancy Costs.....	3,074,017	904,987
Advertising.....	2,091,399	1,005,290
Professional Fees.....	1,073,958	386,169
Inventory Costs.....	730,119	173,305
Other Expenses.....	<u>1,845,830</u>	<u>462,374</u>
Total Operating Expenses.....	<u>12,977,291</u>	<u>4,290,327</u>
NET INCOME (LOSS).....	<u>\$ 3,173,605</u>	<u>\$ (41,710)</u>

See Notes to Combined Financial Statements.

TITLE LOANS OF AMERICA, INC. AND AFFILIATES

COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

	<u>Common Stock</u>		Retained
	<u>Shares</u>	<u>Amount</u>	Earnings (Deficit)
Balance, December 31, 1993.....	5,000	\$ 5,000	\$ 16,119
Shares Issued.....	35,000	35,000	
Net (Loss).....	<u> </u>	<u> </u>	<u>(41,710)</u>
Balance, December 31, 1994.....	40,000	40,000	(25,591)
Shares Issued	35,000	35,000	
Shareholder Distributions.....			(335,000)
Net Income.....	<u> </u>	<u> </u>	<u>3,173,605</u>
Balance, December 31, 1995.....	<u>75,000</u>	<u>\$75,000</u>	<u>\$2,813,014</u>

See Notes to Combined Financial Statements.

TITLE LOANS OF AMERICA, INC. AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss).....	\$ 3,173,605	\$ (41,710)
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Provision for Losses.....	5,349,169	200,764
Depreciation expense.....	231,188	39,376
(Increase) in Other Assets.....	(639,522)	(29,025)
Increase in Accounts Payable and Accrued Expenses.....	<u>290,812</u>	<u>438,738</u>
Net Cash Provided.....	<u>8,405,252</u>	<u>608,143</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans made or renewed.....	(101,832,636)	(12,742,915)
Loans repaid or renewed.....	87,872,459	5,276,450
Increase in Automobile Inventory.....	(704,082)	(65,763)
Capital expenditures.....	(1,555,613)	(906,194)
Net Cash Used.....	<u>(16,219,872)</u>	<u>(8,438,422)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Borrowings.....	8,953,142	8,384,929
Repayment of Borrowings.....	(848,800)	----
Proceeds from Mortgages Payable.....	297,000	135,341
Repayment of Mortgages Payable.....	(49,084)	----
Distributions to Shareholders.....	(335,000)	----
Capital Stock issued.....	<u>35,000</u>	<u>35,000</u>
Net Cash Provided.....	<u>8,052,258</u>	<u>8,555,270</u>
NET INCREASE IN CASH.....	237,638	724,991
CASH, beginning of year.....	<u>759,266</u>	<u>34,275</u>
CASH, end of year.....	<u>\$ 996,904</u>	<u>\$ 759,266</u>
SUPPLEMENTAL DATA:		
Interest paid.....	<u>\$ 1,514,083</u>	<u>\$ 395,372</u>

See Notes to Combined Financial Statements.

TITLE LOANS OF AMERICA, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

Note 1 - Summary of Significant Accounting Policies

Business

Title Loans of America, Inc. and its affiliated companies (the "Company") is in the business of making consumer loans collateralized by automobile titles. The Company operates in 6 states, primarily in the Southeastern United States and is comprised of a management company, a used car sales company and 82 lending offices (39 offices in 1994).

Basis of Presentation

The accompanying combined financial statements include the accounts of Title Loans of America, Inc. and all affiliated companies and are presented on a combined basis due to common ownership among all of the entities. All significant intercompany balances and transactions have been eliminated.

Loans Receivable and Income Recognition

Loans Receivable are made for periods ranging from 30 to 90 days, with the majority being for a 30 day term. These loans are made under applicable state laws and are collateralized by automobiles with the Company retaining possession of the automobile title. Interest and fees on the loans are deferred at the time the loan is made and recognized in income using a constant yield basis over the term of the loan. The Company does not accrue income past the contractual maturity date and recognizes late fees and interest only to the extent received in cash.

Allowance for Losses

The Allowance for Losses is established through a provision for losses that is charged to expense. When a loan is determined to be uncollectible, it is charged against the Allowance for Losses. Recoveries of charged off loans are credited to this account. The difference in the balance due and net realizable value of a repossessed loan is also charged against the Allowance for Losses prior to recording the collateral as inventory. The allowance represents management's best estimate of an amount that will be adequate to absorb the inherent credit losses in the receivables and market fluctuations in the collateral. These estimates are based on evaluations of such factors as the collectibility of the receivables, delinquency, changes in the composition of the portfolio, overall quality of the portfolio and the underlying value of the collateral.

Automobile Inventory

Automobile Inventory represents automobiles repossessed from customers that did not repay their contractual loan obligation. Upon repossession, the automobile is written down to its estimated net realizable value and the difference in this amount and the balance due on the loan is charged against the Allowance for Losses. Inventory is carried at estimated net realizable value and any subsequent gain or loss on the sale of inventory is recognized at the time of sale.

Property and Equipment

Property and Equipment is recorded at cost and depreciated on a straight line basis over the useful lives of the assets.

Advertising Expenses

The costs of communicating advertising, such as television and radio air time or print media, are expensed as incurred.

Income Taxes

The Company has elected Subchapter S tax status and therefore is not liable for income taxes as all income or loss is passed through to the individual shareholders.

Fair Value of Financial Instruments

Loans Receivable - the carrying amount approximates fair value because of the short term maturity of these instruments.

Borrowings - due to the short term maturities and adjustable interest rates, the carrying value of these notes approximates fair value.

Mortgages Payable - these mortgages have interest rates that are similar to current mortgage rates obtainable by the Company and therefore the carrying value approximates fair value.

Estimates

The preparation of the combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Concentration of Credit Risk

The Company has funds in excess of \$100,000 in one financial institution. No losses have resulted from this concentration.

Reclassifications

Certain amounts in the 1994 combined financial statements have been reclassified to conform with the 1995 presentation.

Note 2 - Allowance for Losses

An analysis of the Allowance for Losses for the years ended December 31, 1995 and 1994 is as follows:

	Allowance for Losses	
	1995	1994
Beginning Balance.....	\$ 200,764	\$ 0
Provision for Losses.....	5,349,169	200,764
Charge offs, net of recoveries.....	(4,189,004)	----
Ending Balance.....	<u>\$ 1,360,929</u>	<u>\$200,764</u>

Note 3 - Note Payable

The note payable represents borrowings under a credit line with a major factoring company. Amounts borrowed under the line are due on demand, but if no demand is made, the note is due on November 30, 1996. The note agreement requires, among other things, that Shareholders' Equity plus Shareholders' Notes Payable be greater than \$1,500,000. The agreement allows shareholder distribution payments and/or payments of principal and interest on Shareholders' Notes Payable, as long as the balance after such payments exceeds \$3,000,000. All assets, except certain land and buildings that have prior liens (see Note 4), are pledged as collateral under the agreement. Additionally, all shareholders have personally guaranteed the note. The factoring company has given assurances to the Company that it is their intention to re-affirm the line of credit through at least January 1, 1997, assuming that the Company is in compliance with all material provisions of the agreement and assuming that the Company's financial condition does not deteriorate in a materially adverse fashion.

Note 4 - Mortgages Payable

Mortgages payable consist of mortgages on land and buildings that are used in the operations and are collateralized by \$482,327 of land and buildings. The mortgages have interest rates ranging from 8.0% to 9.0%, maturity dates from 1997 to 2000 and principal payments of \$112,884 due in 1996, \$82,312 in 1997, \$64,951 in 1998, \$60,373 in 1999 and \$62,737 in 2000.

Note 5 - Shareholders' Transactions

The Shareholders' Notes Payable are at interest rates ranging from 8% to 12%, are due on demand, but if no demand is made, they are due December 31, 1998 and are subordinated to borrowings from the factoring company (see Note 3). Interest due on these loans was added to the principal amount of the loans in 1995 and 1994.

Additionally, Other Assets include \$311,841 of advances due from shareholders at December 31, 1995. These advances are at rates of interest ranging from 8% to 12% and are due on demand. Repayment of these advances is anticipated to be made from shareholder distributions. See Note 6.

The Company has obtained assurance from its major shareholder that it is his intention to financially support the operations of the Company through at least January 1, 1997.

Note 6 - Retained Earnings

Since the Company has elected Subchapter S tax status, the tax liability for the Company's net income is the responsibility of the individual shareholders. Accordingly, the Company intends to distribute approximately \$3,600,000 to the shareholders in April, 1996 for their tax liability and repayment of their advances.

Note 7 - Capital Stock

The Company is comprised of separate corporations with each corporation having shareholders with similar ownership percentages. The number of shares of common stock authorized, issued and outstanding vary among the entities. At December 31, 1995, the Company had 2,423,500 shares authorized and 75,000 issued and outstanding. At December 31, 1994 these amounts were 40,000, 40,000 and 40,000, respectively. All shares have a par value of \$1.00 per share for 1995 and 1994.

Note 8 - Commitments and Contingencies

The Company is from time to time a defendant in legal actions from normal business activities. Management does not anticipate that the ultimate liability from litigation outstanding at December 31, 1995, will have a materially adverse effect on the Company's financial statements.

The Company's operations are conducted primarily in locations which are occupied under operating lease agreements. Rent expense was \$1,414,672 and \$419,219 for 1995 and 1994, respectively. Under the existing noncancelable leases, the Company's future minimum aggregate rental commitment at December 31, 1995, amounts to \$1,845,934 for 1996, \$1,736,589 for 1997, \$1,637,178 for 1998, \$1,201,823 for 1999, \$676,373 for 2000 and \$1,714,764 beyond. The Company's total future commitment is \$8,813,025 at December 31, 1995.