PUTNAM CONVERTIBLE SECURITIES FUND
Form PRE 14A
November 27, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A
(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant / X /

Filed by a Party other than the Registrant /   /

Check the appropriate box:

/ X / Preliminary Proxy Statement.
/   / Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e) (2)).
/   / Definitive Proxy Statement.
/   / Definitive Additional Materials.
/   / Soliciting Material under § 240.14a-12.

PUTNAM AMERICAN GOVERNMENT INCOME FUND
PUTNAM ARIZONA TAX EXEMPT INCOME FUND
PUTNAM ASSET ALLOCATION FUNDS
PUTNAM CALIFORNIA TAX EXEMPT INCOME FUND
PUTNAM CONVERTIBLE SECURITIES FUND
PUTNAM DIVERSIFIED INCOME TRUST
PUTNAM EQUITY INCOME FUND
PUTNAM EUROPE EQUITY FUND
THE PUTNAM FUND FOR GROWTH AND INCOME
PUTNAM FUNDS TRUST
THE GEORGE PUTNAM FUND OF BOSTON (d/b/a GEORGE PUTNAM BALANCED FUND)

PUTNAM GLOBAL EQUITY FUND
PUTNAM GLOBAL HEALTH CARE FUND
PUTNAM GLOBAL INCOME TRUST
PUTNAM GLOBAL NATURAL RESOURCES FUND
PUTNAM GLOBAL UTILITIES FUND
PUTNAM HIGH INCOME SECURITIES FUND
PUTNAM HIGH YIELD ADVANTAGE FUND
PUTNAM HIGH YIELD TRUST

PUTNAM INCOME FUND
PUTNAM INTERNATIONAL EQUITY FUND
PUTNAM INVESTMENT FUNDS
PUTNAM INVESTORS FUND
PUTNAM MANAGED MUNICIPAL INCOME TRUST
PUTNAM MASSACHUSETTS TAX EXEMPT INCOME FUND
PUTNAM MASTER INTERMEDIATE INCOME TRUST
PUTNAM MUNICIPAL OPPORTUNITIES TRUST
PUTNAM MICHIGAN TAX EXEMPT INCOME FUND
PUTNAM MINNESOTA TAX EXEMPT INCOME FUND
PUTNAM MONEY MARKET FUND
PUTNAM MULTI-CAP GROWTH FUND
PUTNAM MUNICIPAL OPPORTUNITIES TRUST
PUTNAM NEW JERSEY TAX EXEMPT INCOME FUND
PUTNAM NEW YORK TAX EXEMPT INCOME FUND
PUTNAM OHIO TAX EXEMPT INCOME FUND
PUTNAM PENNSYLVANIA TAX EXEMPT INCOME FUND
PUTNAM PREMIER INCOME TRUST
PUTNAM RETIREMENTREADY FUNDS
PUTNAM TAX EXEMPT INCOME FUND
PUTNAM TAX EXEMPT MONEY MARKET FUND
PUTNAM TAX-FREE INCOME TRUST
PUTNAM U.S. GOVERNMENT INCOME TRUST
PUTNAM VARIABLE TRUST
PUTNAM VOYAGER FUND

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement,

if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

/ X / No fee required.

/ / Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:
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(4) Proposed maximum aggregate value of transaction:
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/ / Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

A message from Putnam Investments and the Trustees of the Putnam funds

A few minutes of your time now can help save time and expenses later.

Dear Fellow Shareholder:

We are asking for your vote on important matters affecting your investment in the Putnam funds. The Putnam funds will hold a special shareholder meeting on February 27, 2014 in Boston, Massachusetts. We are asking you and all shareholders to consider and vote on the important matters described below.

You may conveniently vote by:

Visiting the website listed on the proxy card.

Calling by telephone, using the toll-free number listed on the proxy card.

•**Mailing** the enclosed proxy card — be sure to sign, date, and return the card in the enclosed postage-paid envelope.

Of course, you are also welcome to attend the special shareholder meeting on February 27, 2014 and vote your shares in person.

The Trustees of the Putnam funds unanimously recommend that you vote “FOR” all proposals described below.

1. Approving new management contracts. Shareholders of all Putnam funds, including your fund, are being asked to approve a new management contract with Putnam Investment Management, LLC (“Putnam Management”), your fund’s investment adviser. The proposed new management contract is identical (except for its effective date and initial term) to your fund’s current management contract with Putnam Management.

On October 8, 2013, The Honourable Paul G. Desmarais, who was the controlling shareholder of Power Corporation of Canada, Putnam Management’s ultimate parent company, passed away. Upon his death, voting control of the shares of Power Corporation of Canada that Mr. Desmarais controlled was transferred to a family trust. (See pages [ ] to [ ] for further details.) The transfer of voting control of these shares may have constituted an “assignment” of the management contract between Putnam Management and your fund, resulting in its automatic termination as required by law. The transfer of voting control will not have any practical impact on the operations of Putnam Management or your fund. You are being asked to approve a new management contract for your fund to ensure that Putnam Management is able to continue to manage your fund.

2. Electing Trustees. Shareholders of all open-end Putnam funds are being asked to elect Trustees at the upcoming special meeting. (Shareholders of the closed-end Putnam funds will be asked to elect Trustees at their 2014 annual meeting, expected to be held in April 2014.) Although Trustees do not manage fund portfolios, they play an important role in protecting shareholders. Trustees are responsible for approving the fees paid to your fund’s investment adviser and its affiliates, reviewing overall fund expenses, selecting the fund’s auditors, monitoring conflicts of interest, overseeing the fund’s compliance with federal securities laws, and voting proxies for the fund’s portfolio securities. All but one of your fund’s Trustees currently is independent of the fund and Putnam Management.

3. Approving an Amended and Restated Declaration of Trust. Shareholders of all open-end Putnam funds are being asked to authorize the Trustees to adopt a single form of Amended and Restated Declaration of Trust for each Trust. The open-end Putnam funds operate under thirty-eight distinct declarations of trust, which were created at different times in the past and differ from each other in several ways. The Amended and Restated Declaration of Trust will benefit the affected funds by harmonizing the terms of these governing documents, eliminating the inefficiencies inherent in operating under a variety of declarations of trust, allowing increased flexibility in the management of your fund, modernizing and streamlining governance provisions, reducing the risks and costs of potential litigation and eliminating certain ambiguities and inconsistencies.

4. Other Matters. Shareholders of three funds are being asked to approve changes to certain investment policies designed to conform their operations with those of other Putnam funds.

Detailed information regarding these proposals may be found in the enclosed proxy statement.

Please vote today

We encourage you to sign and return your proxy card today or, alternatively, online or by telephone using the voting control number that appears on your proxy card. Delaying your vote will increase fund expenses if further mailings are required. Your shares will be voted on your behalf exactly as you have instructed. **If you sign the proxy card without specifying your vote, your shares will be voted in accordance with the Trustees’ recommendations.**

Your vote is extremely important. If you have questions, please call toll-free [[ ]] or contact your financial advisor.

We appreciate your participation and prompt response, and thank you for investing in the Putnam funds.

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PROXY CARD(S) ENCLOSED

If you have any questions, please call toll-free [[ ]] or call your financial advisor.

Important Notice Regarding the Availability of Proxy Materials for the Special Shareholder Meeting to be Held on February 27, 2014.

The proxy statement is available at [[https://]]

Notice of a Special Meeting of Shareholders

To the Shareholders of:

PUTNAM AMERICAN GOVERNMENT INCOME FUND
PUTNAM ARIZONA TAX EXEMPT INCOME FUND
PUTNAM ASSET ALLOCATION FUNDS
PUTNAM DYNAMIC ASSET ALLOCATION
BALANCED FUND
PUTNAM DYNAMIC ASSET ALLOCATION
CONSERVATIVE FUND
PUTNAM DYNAMIC ASSET ALLOCATION GROWTH FUND
PUTNAM CALIFORNIA TAX EXEMPT INCOME FUND
PUTNAM CONVERTIBLE SECURITIES FUND
PUTNAM DIVERSIFIED INCOME TRUST
PUTNAM EQUITY INCOME FUND
PUTNAM EUROPE EQUITY FUND
THE PUTNAM FUND FOR GROWTH AND INCOME
PUTNAM FUNDS TRUST
PUTNAM ABSOLUTE RETURN 100 FUND
PUTNAM ABSOLUTE RETURN 300 FUND
PUTNAM ABSOLUTE RETURN 500 FUND
PUTNAM ABSOLUTE RETURN 700 FUND
PUTNAM ASIA PACIFIC EQUITY FUND
PUTNAM CAPITAL SPECTRUM FUND
PUTNAM DYNAMIC ASSET ALLOCATION EQUITY FUND
PUTNAM DYNAMIC RISK ALLOCATION FUND
PUTNAM EMERGING MARKETS EQUITY FUND
PUTNAM EMERGING MARKETS INCOME FUND
PUTNAM EQUITY SPECTRUM FUND
PUTNAM FLOATING RATE INCOME FUND
PUTNAM GLOBAL CONSUMER FUND
PUTNAM GLOBAL DIVIDEND FUND
PUTNAM GLOBAL ENERGY FUND
PUTNAM GLOBAL FINANCIALS FUND
PUTNAM GLOBAL INDUSTRIALS FUND
PUTNAM GLOBAL SECTOR FUND
PUTNAM GLOBAL TECHNOLOGY FUND
PUTNAM GLOBAL TELECOMMUNICATIONS FUND
PUTNAM INTERMEDIATE-TERM MUNICIPAL INCOME FUND
PUTNAM INTERNATIONAL VALUE FUND
PUTNAM LOW VOLATILITY EQUITY FUND
PUTNAM MONEY MARKET LIQUIDITY FUND
PUTNAM MULTI-CAP CORE FUND
PUTNAM RETIREMENT INCOME FUND LIFESTYLE 2
PUTNAM RETIREMENT INCOME FUND LIFESTYLE 3
PUTNAM SHORT DURATION INCOME FUND
PUTNAM SHORT TERM INVESTMENT FUND
PUTNAM SHORT-TERM MUNICIPAL INCOME FUND
PUTNAM SMALL CAP GROWTH FUND
PUTNAM STRATEGIC VOLATILITY EQUITY FUND
THE GEORGE PUTNAM FUND OF BOSTON (d/b/a GEORGE
PUTNAM BALANCED FUND)

PUTNAM GLOBAL EQUITY FUND
PUTNAM GLOBAL HEALTH CARE FUND
PUTNAM GLOBAL INCOME TRUST
PUTNAM GLOBAL NATURAL RESOURCES FUND
PUTNAM GLOBAL UTILITIES FUND
PUTNAM HIGH INCOME SECURITIES FUND*
PUTNAM HIGH YIELD ADVANTAGE FUND
PUTNAM HIGH YIELD TRUST
PUTNAM INCOME FUND
PUTNAM INTERNATIONAL EQUITY FUND
PUTNAM INVESTMENT FUNDS
PUTNAM CAPITAL OPPORTUNITIES FUND
PUTNAM GROWTH OPPORTUNITIES FUND
PUTNAM INTERNATIONAL CAPITAL
OPPORTUNITIES FUND
PUTNAM INTERNATIONAL GROWTH FUND
PUTNAM MULTI-CAP VALUE FUND
PUTNAM RESEARCH FUND
PUTNAM SMALL CAP VALUE FUND
PUTNAM INVESTORS FUND
PUTNAM MANAGED MUNICIPAL INCOME TRUST*
PUTNAM MASSACHUSETTS TAX EXEMPT INCOME FUND
PUTNAM MASTER INTERMEDIATE INCOME TRUST*
PUTNAM MUNICIPAL OPPORTUNITIES TRUST*
PUTNAM MICHIGAN TAX EXEMPT INCOME FUND
PUTNAM MINNESOTA TAX EXEMPT INCOME FUND
PUTNAM MONEY MARKET FUND
PUTNAM MULTI-CAP GROWTH FUND
PUTNAM NEW JERSEY TAX EXEMPT INCOME FUND
PUTNAM NEW YORK TAX EXEMPT INCOME FUND
PUTNAM OHIO TAX EXEMPT INCOME FUND
PUTNAM PENNSYLVANIA TAX EXEMPT INCOME FUND
PUTNAM PREMIER INCOME TRUST*
PUTNAM RETIREMENTREADY FUNDS
PUTNAM RETIREMENTREADY 2055 FUND
PUTNAM RETIREMENTREADY 2050 FUND
PUTNAM RETIREMENTREADY 2045 FUND
PUTNAM RETIREMENTREADY 2040 FUND
PUTNAM RETIREMENTREADY 2035 FUND
PUTNAM RETIREMENTREADY 2030 FUND
PUTNAM RETIREMENTREADY 2025 FUND
PUTNAM RETIREMENTREADY 2020 FUND
PUTNAM RETIREMENTREADY 2015 FUND
PUTNAM RETIREMENT INCOME FUND LIFESTYLE 1
PUTNAM TAX EXEMPT INCOME FUND
PUTNAM TAX EXEMPT MONEY MARKET FUND
PUTNAM TAX-FREE INCOME TRUST
PUTNAM AMT-FREE MUNICIPAL FUND
PUTNAM TAX-FREE HIGH YIELD FUND
PUTNAM U.S. GOVERNMENT INCOME TRUST
PUTNAM VARIABLE TRUST

PUTNAM VT ABSOLUTE RETURN 500 FUND
PUTNAM VT AMERICAN GOVERNMENT INCOME FUND

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PUTNAM VT CAPITAL OPPORTUNITIES FUND
PUTNAM VT DIVERSIFIED INCOME FUND
PUTNAM VT EQUITY INCOME FUND
PUTNAM VT GEORGE PUTNAM BALANCED FUND
PUTNAM VT GLOBAL ASSET ALLOCATION FUND
PUTNAM VT GLOBAL EQUITY FUND
PUTNAM VT GLOBAL HEALTH CARE FUND
PUTNAM VT GLOBAL UTILITIES FUND
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PUTNAM VT HIGH YIELD FUND
PUTNAM VT INCOME FUND
PUTNAM VT INTERNATIONAL EQUITY FUND
PUTNAM VT INTERNATIONAL GROWTH FUND
PUTNAM VT INTERNATIONAL VALUE FUND
PUTNAM VT INVESTORS FUND
PUTNAM VT MONEY MARKET FUND
PUTNAM VT MULTI-CAP GROWTH FUND
PUTNAM VT MULTI-CAP VALUE FUND
PUTNAM VT RESEARCH FUND
PUTNAM VT SMALL CAP VALUE FUND
PUTNAM VT VOYAGER FUND
PUTNAM VOYAGER FUND

*** Denotes closed-end funds; all other funds are open-end funds This is the formal agenda for your fund's special shareholder meeting. It tells you what proposals will be voted on and the time and place of the special meeting, in the event you attend in person.**

A special meeting of Shareholders of your fund will be held on February 27, 2014 at 11:00 a.m., Boston time, at the principal offices of the funds, One Post Office Square, Boston, Massachu-setts 02109, to consider the following proposals, in each case as applicable to the particular funds listed in the table below:

Proposal	Proposal Description	Affected Funds
1.	Approving a proposed new management contract for your fund	All funds
2.	Electing Trustees	All open-end funds
3.	Approving an Amended and Restated Declaration of Trust for your fund	All open-end funds

4.	Approving an amendment to a fundamental investment restriction with respect to investments in commodities	Putnam Dynamic Asset Allocation Conservative Fund
5.	Approving a change in fundamental investment policy with respect to diversification of investments	Putnam Global Consumer Fund Putnam Global Financials Fund

By Michael J. Higgins, Clerk, and by the Trustees

Jameson A. Baxter, Chair

Liaquat Ahamed
Ravi Akhoury
Barbara M. Baumann
Charles B. Curtis
Robert J. Darretta
Katinka Domotorffy
John A. Hill
Paul L. Joskow
Kenneth R. Leibler
Robert E. Patterson
George Putnam, III
Robert L. Reynolds
W. Thomas Stephens

In order for you to be represented at your fund's special shareholder meeting, we urge you to record your voting instructions over the Internet or by telephone or to mark, sign, date, and mail the enclosed proxy card(s) in the postage-paid envelope provided.

December 23, 2013

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Proxy Statement

This document gives you the information you need to vote on the proposals. Much of the information is required under rules of the Securities and Exchange Commission; some of it is technical. If there is anything you don't understand, please call our proxy information line at ____________ or call your financial advisor.

Why has a special meeting of shareholders been called?

The 1940 Act, which regulates investment companies such as your fund, requires management contracts to terminate automatically upon an "assignment" of the contract, which includes a "change of control" affecting an investment company's investment adviser. Until his death on October 8, 2013, The Honourable Paul G. Desmarais, directly and through holding companies controlled by him, controlled a majority of the voting shares of Power Corporation of Canada, the ultimate parent company of Putnam Management, your fund's investment adviser. Upon Mr. Desmarais' death, voting control over Power Corporation of Canada shares was transferred to The Desma-rais Family Residuary Trust. Throughout this proxy statement, this transfer of voting control of Power Corporation of

Canada shares is referred to as the "Transfer." Because Putnam Management is indirectly controlled by Power Corporation of Canada, the Transfer may have resulted in a change of control of Putnam Management and an assignment of your fund's management contract within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act"). This means that, even though the Transfer will not have any impact on the operations of Putnam Management, it is possible that your fund's management contract with Putnam Management terminated automatically upon the Transfer. To eliminate any ambiguity as to the effectiveness of your fund's management contract, a special meeting of shareholders has been called so that shareholders may approve a new management contract with Putnam Management to allow Putnam Management to continue as your fund's investment adviser.

Will the Transfer affect Putnam Management?

The Transfer will not have any effect on Putnam Management or your fund.

Does the proposed new management contract differ from your fund's current management contract?

The proposed new management contract is identical to your fund's current management contract, except for its effective date and initial term and other non-substantive changes. There will be no change in the services that your fund will receive or to the fees and costs that your fund will bear.

What other proposals are being presented to shareholders at the special meeting?

In addition to being asked to approve a new management contract with Putnam Management, you are being asked to vote for the election of trustees and to authorize the Trustees to adopt an Amended and Restated Declaration of Trust for your fund. Shareholders of Putnam Dynamic Asset Allocation Conservative Fund are also being asked to approve an amendment to that fund's fundamental investment restriction with respect to commodities, and shareholders of Putnam Global Consumer Fund and Putnam Global Financials Fund are also being asked to approve an amendment to those funds' fundamental investment policies with respect to diversification of investments.

Who is asking for your vote?

The enclosed proxy is solicited by the Trustees of the Putnam funds for use at the special meeting of shareholders of each fund to be held on Thursday, February 27, 2014 and, if your fund's meeting is adjourned, at any later meetings, for the purposes stated in the Notice of a Special Meeting (see previous pages). The Notice of a Special Meeting, the proxy card and this proxy statement are being mailed beginning on or about December 23, 2013.

How do your fund's Trustees recommend that shareholders vote on the proposals?

The Trustees unanimously recommend that you vote **FOR** each proposal.

Please see the table beginning on page [ ] for a list of the affected funds for each proposal.

Who is eligible to vote?

Shareholders of record of each fund at the close of business on Monday, December 2, 2013 (the "Record Date") are entitled to be present and to vote at the special meeting or any adjournment.

The number of shares of each fund outstanding on the Record Date is shown in **Appendix A**. Each share is entitled to one vote, with fractional shares voting proportionately. Shares represented by your duly executed proxy card will be voted in accordance with your instructions. If you sign and return the proxy card but don't fill in a vote, your shares will be voted in accordance with the Trustees' recommendations. If any other business comes before your fund's special meeting, your shares will be voted at the discretion of the persons designated on the proxy card.

Shareholders of each fund vote separately with respect to the proposal to approve a new management contract and the proposed changes in investment policies. Shareholders of all series of a trust vote together with respect to the other proposals. The name of each trust is indicated in bold in the Notice of a Special Meeting of Shareholders, with the funds that are series of that trust appearing below its name. The outcome of a vote affecting one fund does not affect any other fund, except where series of a trust vote together as a single class. No proposal is contingent upon the outcome of any other proposal.

The Proposals

1. APPROVING A NEW MANAGEMENT CONTRACT FOR YOUR FUND

Background Information

Putnam Management, your fund's investment adviser, is majority owned (indirectly through other companies) by Power Corporation of Canada, a diversified international management and holding company with interests in companies in the financial services, communications and other business sectors. Until his death on October 8, 2013, The Honourable Paul G. Desmarais controlled a majority of the voting shares of Power Corporation of Canada, directly and through holding companies that he controlled.

Since 1996, Mr. Desmarais' two sons, Paul Desmarais, Jr. and André Desmarais, have managed the day-to-day affairs of Power Corporation of Canada, serving as Chairman and Co-Chief Executive Officer and President and Co-Chief Executive Officer, respectively. Until his death, The Honourable Paul G. Desmarais served as Director of Power Corporation of Canada and Chairman of the Executive Committee of the Board of Directors. He also served as Director of Power Financial Corporation, a majority-owned subsidiary of Power Corporation of Canada, and continued to exercise voting control over a majority of the voting shares of Power Corporation of Canada. However, he did not participate actively in the management or affairs of Putnam Investments, LLC, the parent company of Putnam Management ("Putnam Investments"). Paul Desmarais, Jr. and André Desmarais, in addition to their executive roles at Power Corporation of Canada, are active members of the Boards of Directors of numerous subsidiaries of Power Corporation of Canada, including Putnam Investments.

Following Mr. Desmarais' death, voting control of the shares of Power Corporation of Canada that he owned directly and controlled indirectly was transferred to The Desmarais Family Residuary Trust, a trust established pursuant to the Last Will and Testament of The Honourable Paul G. Desmarais. (This transfer of voting control of Power Corporation of Canada shares is referred to as the "Transfer" throughout this proxy statement.) There are five trustees of The Desmarais Family Residuary Trust, consisting of Mr. Desmarais' two sons, Paul Desmarais, Jr. and André Desmarais, his widow, Jacqueline Desmarais, and Guy Fortin and Michel Plessis-Bélair. The family member trustees (or the family member successor trustees) effectively determine how the shares of Power Corporation of Canada owned or controlled by The Desmarais Family Residuary Trust will be voted.

The Transfer has not impacted the ownership of any of the companies owned, directly or indirectly, by Power Corporation of Canada. As indicated in the accompanying chart, Power Corporation of Canada continues to own a majority of the voting shares of Power Financial Corporation, which in turn owns a majority of the voting shares of Great-West Lifeco Inc. All of the voting shares of Putnam Investments are owned by Great-West Lifeco Inc. Putnam Investments, through a series of wholly-owned holding companies, is the sole owner of Putnam Management. The address of The Desmarais Family Residuary Trust is 759 Victoria Square, Montreal, Quebec H2Y 2J7. The address of Power Corporation of Canada and Power Financial Corporation is 751 Victoria Square, Montreal, Quebec H2Y 2J3. The address of Great-West Lifeco Inc. is 100 Osborne Street North, Winnipeg, Manitoba, R3C 3A5. The address of Putnam Investments and Putnam Management is One Post Office Square, Boston, Massachusetts 02109.

Representatives of Power Corporation of Canada, Power Financial Corporation, and Great-West Lifeco have confirmed that the Transfer will not impact Putnam Investments' operations. Paul Desmarais, Jr. and André Desmarais, who as trustees of The Desmarais Family Residuary Trust determine how to vote the shares of Power Corporation of Canada that are controlled by the trust, continue to serve as Co-Chief Executive Officers of Power

Corporation of Canada and as Directors of Putnam Investments. In these roles, they will continue to oversee the operations and affairs of Power Corporation of Canada and its subsidiary companies, including Putnam Investments. Putnam Investments will continue to operate as a separate business unit within the Power Corporation of Canada group of companies, overseen by its separate Board of Directors, and will retain its existing management team. There are no current plans to make any changes to the operations of the funds as a result of the Transfer. In particular, the funds have been advised that there are no current plans to make changes with respect to existing management fees, expense limitations, distribution arrangements, or the quality of any services provided to the funds or their shareholders as a result of the Transfer. In addition, the Putnam brand, Putnam Investments' current business strategy and Putnam Management's investment management philosophy will not change as a result of the Transfer and there will not be any disruption or change for fund shareholders or the Putnam organization.

Although the Transfer is unrelated to, and will not have any impact on, the operations of Putnam Management and your fund, it is possible that the Transfer, as a technical matter under the 1940 Act, constitutes a "change of control" of Putnam Management. Under the 1940 Act, which regulates investment companies such as the Putnam funds, investment advisory contracts are required to terminate automatically when there is a change of control of the investment adviser. Fund shareholders must then approve new investment advisory contracts so that the fund may continue to receive advisory services.

The Interim Management Contracts

Each of the Putnam funds' management contracts with Putnam Management terminates automatically in the event of an "assignment." In light of the possibility that the Transfer constituted a change of control of Putnam Management and therefore an assignment of your fund's management contract, Putnam Management is currently providing services to your fund under an interim management contract.

Rule 15a-4 under the 1940 Act allows an investment company to enter into an interim management contract with a maximum term of 150 days without first obtaining shareholder approval, so that the investment company may receive investment management services without interruption following an assignment of a previous management contract. Shortly after Mr. Desmarais' death, the Putnam funds' Board of Trustees met in person on October 18, 2013 and approved interim management contracts for each of the Putnam funds, effective as of October 8, 2013. Consistent with the 1940 Act and Rule 15a-4 thereunder, each interim management contract will continue in effect until the earlier to occur of (i) approval by a "majority of the outstanding voting securities," as defined in the 1940 Act, of a new management contract and (ii) March 7, 2014, which is the 150th day after October 8, 2013, unless the Securities and Exchange Commission or its staff permit the contract to remain in effect for a longer period. Each fund's interim management contract is identical to the contract it replaced, except for its date and the provisions regarding the term of the contract and for certain non-substantive changes.

The Proposed New Management Contract; Comparison with your Fund's Prior Management Contract

To eliminate any ambiguity as to the status of your fund's management contract, the Trustees have concluded that it is in the best interests of your fund's shareholders to call a special meeting so that shareholders may approve a new management contract with Putnam Management and Putnam Management can continue as your fund's investment adviser. At an in-person meeting on November 21 and 22, 2013, the Trustees unanimously approved, and recommend to the shareholders of each fund that they approve, a new management contract between each fund and Putnam Management. The form of the proposed new management contract for your fund is attached at **Appendix B**. You should refer to **Appendix B** for the complete terms of your fund's proposed management contract.

The terms of the proposed new management contract (described generally below) are identical to those of the previous management contract except for the effective dates and initial term and for certain non-substantive changes. The date of each fund's previous management contract, the date on which it was last submitted to a vote of shareholders, and the purpose of the submission is set forth in **Appendix C**.

Fees. There is no change in the rate of the fees that the funds will pay Putnam Management under the proposed new management contracts. The current fee schedule for investment management services and administrative services for each fund is set forth in **Appendix D**. The actual fees paid by some funds are subject to expense limitations, which are unaffected by the Transfer.

Investment Management Services. The proposed new management contract for your fund provides that Putnam Management will furnish continuously an investment program for the fund, determining what investments to purchase, hold, sell or exchange and what portion of the fund's assets will be held uninvested, in compliance with the fund's governing documents, investment objectives, policies and restrictions, and subject to the oversight and control of the Trustees. As indicated above, Putnam Management's responsibilities under the proposed new management contract are identical to those under both the previous management contract and the current interim management contract.

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Putnam Management is authorized under the proposed new management contract to place orders for the purchase and sale of portfolio investments for your fund with brokers or dealers that Putnam Management selects. Putnam Management must select brokers and dealers, and place orders, using its best efforts to obtain for the funds the most favorable price and execution available, except that Putnam Management may pay higher brokerage commissions if it determines in good faith that the commission is reasonable in relation to the value of brokerage and research services provided by the broker or dealer (a practice commonly known as "soft dollars"). Putnam Management may make this determination in terms of either the particular transaction or Putnam Management's overall responsibilities with respect to a fund and to other clients of Putnam Management for which Putnam Management exercises investment discretion. Putnam Management's use of soft dollars is subject to policies established by the Trustees from time to time and applicable guidance issued by the Securities and Exchange Commission.

Delegation of Responsibilities. The proposed new management contract for your fund expressly provides that Putnam Management may, in its discretion and with the approval of the Trustees (including a majority of the Trustees who are not "interested persons") and, if required, the approval of shareholders, delegate responsibilities under the contract to one or more sub-advisers or sub-administrators. The separate costs of employing any sub-adviser or sub-administrator must be borne by Putnam Management or the sub-adviser or sub-administrator, not by the fund. Putnam Management is responsible for overseeing the performance of any sub-adviser or sub-administrator and remains fully responsible to the fund under the proposed new management contract regardless of whether it delegates any responsibilities.

At present, Putnam Management has delegated certain responsibilities to affiliated sub-advisers, as described below under the heading "Sub-Adviser Arrangements." The sub-management and sub-advisory contracts governing these arrangements, like the management contracts, terminate upon a change of control of Putnam Management. In connection with their approval of the interim management contracts, the Trustees approved the continuance of the existing sub-management and sub-advisory contracts with these sub-advisers at their in-person meeting held on October 18, 2013. If your fund's shareholders approve the proposed new management contract, pursuant to the new management contract Putnam Management will enter into equivalent sub-management and sub-advisory contracts with these affiliated sub-advisers, effective at the time the new management contract becomes effective. See "Sub-Adviser Arrangements" below for a description of the sub-advisers, and see **Appendix E** for copies of the current sub-management and sub-advisory contracts. The new sub-management and sub-advisory contracts will be identical to the current sub-management and sub-advisory contracts except for their effective dates and initial term. Consistent with current law and interpretations of the Securities and Exchange Commission staff, it is not necessary for shareholders to approve the sub-management and sub-advisory contracts. (Shareholder approval would be required were Putnam Management to delegate any of its advisory responsibilities to advisers that are not subsidiaries of Putnam Investments.) Shareholders should be aware that a vote to approve your fund's new management contract will have the effect of voting for the continuation of these arrangements.

Administrative Services. Like the previous management contract and the current interim management contract, the proposed new management contract provides that Putnam Management will manage, supervise and conduct the other (*i.e.*, non-investment) affairs and business of each fund and incidental matters. These administrative services include providing suitable office space for the fund and administrative facilities, such as bookkeeping, clerical personnel and equipment necessary for the efficient conduct of the fund's affairs, including determination of the net asset value of the fund, but excluding shareholder accounting services.

Putnam Management has delegated certain administrative, pricing and bookkeeping services to State Street Bank and Trust Company. This delegation was not affected by the Transfer.

Expenses. Like the previous management contract and the current interim management contract, the proposed new management contract requires Putnam Management to bear the expenses associated with (i) furnishing all necessary investment and management facilities, including salaries of personnel, required for it to execute its duties faithfully, (ii) providing suitable office space for each fund and (iii) providing administrative services. The proposed new management contract also provides that the fund will pay the fees of its Trustees and will reimburse Putnam Management for compensation paid to officers and persons assisting officers of the fund, and all or part of the cost of suitable office space, utilities, support services and equipment used by such officers and persons, as the Trustees may determine. Under this provision, the fund will bear the costs of the Trustees' independent staff, which assists the Trustees in overseeing each of the funds.

Term and Termination. If approved by shareholders of your fund, the proposed new management contract will become effective upon its execution and will remain in effect continuously, unless terminated under the termination provisions of the contract. Like the previous management contract and the current interim management contract, the proposed new management contract provides that the management contract may be terminated at any time, by either Putnam Management or the fund by not less than 60 days' written notice to the other party and without the payment of any penalty by Putnam Management or the fund. A fund may effect termination by vote of a majority of its Trustees or by the affirmative vote of a "majority of the

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outstanding voting securities" of the fund, as defined in the 1940 Act. The proposed new management contract also will terminate automatically in the event of its "assignment."

The proposed new management contract will, unless terminated as described above, continue until June 30, 2014 and will continue in effect from year to year thereafter so long as its continuance is approved at least annually by (i) the Trustees of the fund or the shareholders by the affirmative vote of a majority of the outstanding shares of the fund and (ii) a majority of the Trustees who are not "interested persons" of the fund or of Putnam Management, by vote cast in person at a meeting called for the purpose of voting on such approval.

Limitation of Liability. Under the proposed new management contract, Putnam Management is not liable to a fund or to any shareholder of the fund for any act or omission in the course of, or connected with, rendering services under the proposed management contract, unless there is willful misfeasance, bad faith or gross negligence on the part of Putnam Management or reckless disregard of its obligations and duties under the proposed management contract.

As required under each fund's Declaration of Trust, the proposed new management contract contains a notice provision stating that the fund's Declaration of Trust is on file with the Secretary of The Commonwealth of Massachusetts and that the proposed management contract is executed on behalf of the Trustees as Trustees of the fund and not individually. Also, the fund's obligations arising out of the proposed management contract are limited only to the assets and property of the fund and are not binding on any of the Trustees, officers or shareholders individually.

Amendments; Defined Terms. The proposed new management contract may only be amended in writing, and any amendments must be approved in a manner consistent with the 1940 Act, the rules and regulations under the 1940 Act and any applicable guidance or interpretations of the Securities and Exchange Commission or its staff. Similarly, certain terms used in the proposed new management contract are used as defined in the 1940 Act, the rules and regulations under the 1940 Act and any applicable guidance or interpretation of the Securities and Exchange Commission or its staff.

Sub-Adviser Arrangements

Sub-Management Contract. Putnam Management has retained an affiliate, Putnam Investments Limited (“PIL”), as the sub-manager for a portion of the funds’ assets as determined by Putnam Management from time to time (an “Allocated Sleeve”). PIL is currently authorized to serve as the sub-manager, to the extent determined by Putnam Management from time to time, for each of the funds. PIL is a wholly owned subsidiary of The Putnam Advisory Company, LLC (“PAC”), which is itself a subsidiary of Putnam Investments.

PIL serves as sub-manager for the funds under a sub-management contract between Putnam Management and PIL. Under the sub-management contract, Putnam Management (and not the fund) pays a quarterly sub-management fee to PIL for its services at the annual rates set forth in the accompanying table, in each case measured as a percentage of the average aggregate net asset value of assets invested in an Allocated Sleeve.

Fee	Funds Covered by Sub-Management Fee	
0.40%	Putnam Arizona Tax Exempt Income Fund	Putnam Municipal Opportunities Trust
	Putnam California Tax Exempt Income Fund	Putnam Michigan Tax Exempt Income Fund
	Putnam Diversified Income Trust	Putnam Minnesota Tax Exempt Income Fund
	Putnam Emerging Markets Income Fund	Putnam New Jersey Tax Exempt Income Fund
	Putnam Floating Rate Income Fund	Putnam New York Tax Exempt Income Fund
	Putnam Intermediate-Term Municipal Income Fund	Putnam Ohio Tax Exempt Income Fund
	The George Putnam Fund of Boston	Putnam Pennsylvania Tax Exempt
	(d/b/a George Putnam Balanced Fund)	Income Fund
	Putnam Global Income Trust	Putnam Premier Income Trust
	Putnam High Income Securities Fund	Putnam Tax Exempt Income Fund
	Putnam High Yield Advantage Fund	Putnam AMT-Free Municipal Fund
	Putnam High Yield Trust	Putnam Tax-Free High Yield Fund
	Putnam Managed Municipal Income Trust	Putnam VT Diversified Income Fund
	Putnam Massachusetts Tax Exempt Income Fund	Putnam VT High Yield Fund
	Putnam Master Intermediate Income Trust	Putnam VT George Putnam Balanced Fund
0.25%	Putnam American Government Income Fund	Putnam Tax Exempt Money Market Fund
	Putnam Income Fund	Putnam U.S. Government Income Trust
	Putnam Money Market Fund	Putnam VT American Government Income Fund
	Putnam Short Duration Income Fund	Putnam VT Income Fund
	Putnam Short-Term Municipal Income Fund	Putnam VT Money Market Fund
0.20%	Putnam Money Market Liquidity Fund	
	Putnam Short Term Investment Fund	
0.35%	All other funds	

Under the terms of the sub-management contract, PIL, at its own expense, furnishes continuously an investment program for the portion of each fund that Putnam Management allocates to PIL from time to time and makes investment decisions on behalf of these portions of the fund, subject to Putnam Management's supervision. Putnam Management may also, at its discretion, request PIL to provide assistance with purchasing and selling securities for the fund, including order placement with certain broker-dealers. PIL, at its expense, furnishes all necessary investment and management facilities, including salaries of personnel, required for it to execute its duties.

The sub-management contract provides that PIL is not subject to any liability to Putnam Management, the fund or any shareholder of the fund for any act or omission in the course of or connected with rendering services to the fund in the absence of PIL's willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties.

The sub-management contract may be terminated with respect to a fund without penalty by vote of the Trustees or the shareholders of the fund, or by PIL or Putnam Management, on not less than 30 days' nor more than 60 days' written notice. The sub-management contract also terminates without payment of any penalty in the event of its assignment. Subject to applicable law, it may be amended by a majority of the Trustees who are not "interested persons" of Putnam Management or the fund. The sub-management contract provides that it will continue in effect only so long as such continuance is approved at least annually by vote of either the Trustees or the shareholders and, in either case, by a majority of the Trustees who are not "interested persons" of Putnam Management or the fund. In each of the foregoing cases, the vote of the shareholders is the affirmative vote of a "majority of the outstanding voting securities" as defined in the 1940 Act.

Sub-Advisory Contract. PAC has been retained as a sub-adviser for a portion of the assets of the funds identified in the accompanying table (collectively referred to herein as the "PAC Funds") as determined from time to time by Putnam Management or, with respect to portions of such fund's assets for which PIL acts as sub-adviser as described above, by PIL.

The following is a complete list of the PAC Funds:

Putnam Absolute Return 100 Fund
Putnam Absolute Return 300 Fund
Putnam Absolute Return 500 Fund
Putnam Absolute Return 700 Fund
Putnam Asia Pacific Equity Fund
Putnam Capital Spectrum Fund
Putnam Dynamic Asset Allocation Balanced Fund
Putnam Dynamic Asset Allocation Conservative Fund
Putnam Dynamic Asset Allocation Equity Fund
Putnam Dynamic Asset Allocation Growth Fund
Putnam Emerging Markets Equity Fund
Putnam Equity Spectrum Fund
Putnam Europe Equity Fund
Putnam Global Consumer Fund
Putnam Global Dividend Fund
Putnam Global Energy Fund
Putnam Global Equity Fund
Putnam Global Financials Fund
Putnam Global Health Care Fund
Putnam Global Industrials Fund
Putnam Global Natural Resources Fund
Putnam Global Sector Fund
Putnam Global Technology Fund
Putnam Global Telecommunications Fund
Putnam Global Utilities Fund
Putnam International Equity Fund
Putnam International Growth Fund
Putnam International Value Fund
Putnam Research Fund
Putnam Retirement Income Fund Lifestyle 2
Putnam Retirement Income Fund Lifestyle 3
Putnam VT Absolute Return 500 Fund
Putnam VT Global Asset Allocation Fund
Putnam VT Global Equity Fund
Putnam VT Global Health Care Fund
Putnam VT Global Utilities Fund
Putnam VT International Equity Fund
Putnam VT International Growth Fund
Putnam VT International Value Fund
Putnam VT Research Fund

PAC serves as sub-adviser under the sub-advisory contract. Pursuant to the terms of the sub-advisory contract, Putnam Management or, with respect to portions of a PAC Fund's assets for which PIL acts as sub-adviser, PIL (and not the fund) pays a quarterly sub-advisory fee to PAC for its services at the annual rate of 0.35% of the average aggregate net asset value of the portion of such fund with respect to which PAC acts as sub-adviser.

Under the terms of the sub-advisory contract, PAC, at its own expense, furnishes continuously an investment program for that portion of a fund that is allocated to PAC from time to time by Putnam Management or PIL, as applicable, and makes investment decisions on behalf of such portion of the fund, subject to the supervision of Putnam Management or PIL, as applicable. PAC, at its expense, furnishes all necessary investment and management facilities, including salaries of personnel, required for it to execute its duties.

The sub-advisory contract provides that PAC is not subject to any liability to Putnam Management, PIL, a PAC Fund or any shareholder of such fund for any act or omission in the course of or connected with rendering services to the fund in the absence of PAC's willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties.

The sub-advisory contract may be terminated without penalty by vote of the Trustees or the shareholders of the relevant PAC Fund, or by PAC, PIL or Putnam Management, on not less than 30 days' nor more than 60 days' written notice. The sub-advisory contract also terminates without payment of any penalty in the event of its assignment. Subject to applicable law, it may be amended by a majority of the Trustees who are not "interested persons" of Putnam Management or the PAC fund. The sub-advisory contract provides that it will continue in effect only so long as its continuance is approved at least annually by vote of either the Trustees or shareholders of the respective PAC Fund and, in either case, by a majority of the Trustees who are not "interested persons" of Putnam Management or the PAC Fund. In each of the foregoing cases, the vote of the shareholders of a PAC Fund is the affirmative vote of a "majority of the outstanding voting securities" as defined in the 1940 Act.

To the extent that the Transfer may have constituted a "change of control" of Putnam Management, terminating automatically the funds' previous management contracts, then the funds' sub-management contract and the sub-advisory contract would also have terminated. To ensure that your fund did not lose the benefit of PIL's or PAC's services, at their in-person meeting held on October 18, 2013, the Trustees approved the continuance of the sub-management contract with PIL and the sub-advisory contract with PIL and PAC. The sub-management contract and sub-advisory contract are not interim in nature and will continue in effect through June 30, 2014. However, as described above, Putnam Management, PIL and PAC intend to enter into new sub-management and sub-advisory contracts contemporaneously with the execution of the proposed new management contracts if the new management contracts are approved by fund shareholders. See **Appendix E** for copies of the current sub-management and sub-advisory contracts.

What did the Trustees consider in evaluating the proposed new management contracts?

In considering whether to approve the proposed new management contracts, as well as the interim management contracts, the Trustees took into account that they had recently approved the annual continuation of all of the previous management contracts and the sub-management and sub-advisory contracts for the Putnam funds in June 2013. That approval, on which the Trustees voted at an in-person meeting held on June 20 and 21, 2013, followed a lengthy process during which the Trustees considered a variety of factors that the Trustees considered to have a bearing on the contracts. **Appendix F** contains a general description of the Trustees' deliberations.

At their in-person meeting on October 18, 2013, the Trustees, including the Trustees who are not "interested persons" as defined in the 1940 Act, considered the potential implications of Mr. Desmarais' death and the Transfer. To address the possibility that the Transfer constituted an assignment of the funds' management contracts, on October 18, 2013, the Trustees unanimously voted to approve interim management contracts for the funds. The Trustees considered that, except for the effective date (October 8, 2013) and duration (until the earlier of either (i) March 7, 2014 (which, pursuant to Rule 15a-4 under the 1940 Act, represents the maximum allowable 150-day duration of an interim management contract) or (ii) the effective date of new management contracts that have been approved by fund shareholders, unless the Securities and Exchange Commission or its staff permits the

contracts' continuance through a later date), the interim management contracts were identical to the funds' previous management contracts. Under the interim management contracts, Putnam Management provides investment advisory services to each fund on essentially the same terms and conditions, and for the same fees, as it did under the previous management contracts.

On November 21 and 22, 2013, the Trustees met in person to discuss further the Transfer and the possibility that a change of control of Putnam Management had occurred. The Trustees considered the approval of new management contracts for each fund, proposed to become effective upon their execution following approval by shareholders, as well as calling a special meeting of fund shareholders and filing a preliminary proxy statement. They reviewed the terms of the proposed new management contracts and the disclosure included in the preliminary proxy statement. They noted that, as described above, the terms of the proposed new management contracts were identical to the previous management contracts, except for the effective dates and initial terms and for certain non-substantive changes. In particular, the Trustees considered:

• Information about the operations of The Desmarais Family Residuary Trust, including that Paul Desmarais, Jr. and André Desmarais, Mr. Desmarais' sons, were expected to exercise, jointly, voting control over the Power Corporation of Canada shares controlled by The Desmarais Family Residuary Trust.

• That Paul Desmarais, Jr. and André Desmarais had been playing active managerial roles at Power Corporation of Canada, with responsibility for the oversight of Power Corporation of Cana-da's subsidiaries, including Putnam Investments, since Power Corporation of Canada had acquired Putnam Investments in 2007, including serving as Directors of Putnam Investments, and that the Transfer would not affect their responsibilities as officers of Power Corporation of Canada.

• The intention expressed by representatives of Power Corporation of Canada, Power Financial Corporation, and Great-West Lifeco that there would be no change to the operations or management of Putnam Investments, to Putnam Management's management of the funds or to investment, advisory and other services provided to the funds by Putnam Management and its affiliates as a result of the Transfer.

• Putnam Management's assurances that, following the Transfer, Putnam Management would continue to provide the same level of services to each fund and that the Transfer will not have an adverse impact on the ability of Putnam Management and

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its affiliates to continue to provide high quality investment advisory and other services to the funds.

• Putnam Management's assurances that there are no current plans to make any changes to the operations of the funds, existing management fees, expense limitations, distribution arrangements, or the quality of any services provided to the funds or their shareholders, as a result of the Transfer.

• The benefits that the funds have received and may potentially receive as a result of Putnam Management being a member of the Power Corporation of Canada group of companies, which promotes the stability of the Putnam organization.

• The commitment of Putnam Investments to bear a reasonable share of the expenses incurred by the Putnam funds in connection with the Transfer, including one-half of the costs associated with this proxy solicitation (see page [ ] below).

Based upon the foregoing considerations, the Trustees concluded that, to eliminate any ambiguity as to the status of your fund's management contract, it was in the best interests of your fund's shareholders to call a special meeting so that shareholders may approve a new management contract with Putnam Management and Putnam Management can continue as your fund's investment adviser. On November 22, 2013, the Trustees, including all of the Trustees present who are not "interested persons" of the funds or Putnam Investments, unanimously approved the proposed new management contracts and determined to recommend their approval to the shareholders of the Putnam funds.

What is the voting requirement for approving the proposal?

Approval of your fund’s proposed new management contract requires the affirmative vote of a “majority of the outstanding voting securities” of the fund, which is defined under the 1940 Act to be *the lesser of* (a) more than 50% of the outstanding shares of the fund, or (b) 67% or more of the shares of the fund present (in person or by proxy) at the special meeting if more than 50% of the outstanding shares of the fund are present at the meeting in person or by proxy. **The Trustees unanimously recommend that shareholders vote FOR the proposed new management contracts.**

2. ELECTING TRUSTEES

Affected funds: All open-end funds (i.e. all funds except Putnam High Income Securities Fund, Putnam Managed Municipal Income Trust, Putnam Master Intermediate Income Trust, Putnam Municipal Opportunities Trust, and Putnam Premier Income Trust)

Who are the nominees for Trustees?

The Board Policy and Nominating Committee of the Board is responsible for making recommendations concerning the nominees for Trustees of your fund. The Board Policy and Nominating Committee consists solely of Trustees who are not “interested persons” (as defined in the 1940 Act) of your fund. Those Trustees who are not “interested persons” of your fund are referred to as “Independent Trustees” in this Section II. of this proxy statement.

The Board, based on the recommendation of the Board Policy and Nominating Committee, has fixed the number of Trustees of your fund at 14 and recommends that you vote for the election of the nominees described in the following pages. Each nominee is currently a Trustee of your fund and of the other Putnam funds.

Your fund does not regularly hold an annual shareholder meeting, but may from time to time schedule a special meeting. Except for Putnam Asia Pacific Equity Fund and Putnam International Value Fund, each of which held a special meeting in 2011, the last such meeting was held in 2009.

Biographical Information For The Fund’s Nominees.

The Board’s nominees for Trustees and their backgrounds are shown in the following pages. This information includes each nominee’s name, year of birth, principal occupation(s) during the past 5 years, and other information about the nominee’s professional background, including other directorships the nominee holds. Each Trustee oversees all of the Putnam funds and serves until the election and qualification of his or her successor, or until he or she sooner dies, resigns, retires, or is removed. The address of all of the Trustees is One Post Office Square, Boston, Massachusetts 02109. As of September 30, 2013, there were 116 Putnam funds.

Independent Trustees

Liaquat Ahamed (Born 1952)
Trustee since 2012

Mr. Ahamed is the Pulitzer Prize-winning author of *Lords of Finance: The Bankers Who Broke the World*. His articles on economics have appeared in the New York Times, Foreign Affairs, and the Financial Times.

Mr. Ahamed serves as a director of Aspen Insurance Co., a New York Stock Exchange company, and is the Chair of the Aspen Board’s Investment Committee. He is a Trustee of the Brookings Institution, where he serves as Chair of the Investment Committee. He is also a director of the Rohatyn Group, an emerging-market fund complex that manages money for institutions. Mr. Ahamed was previously the Chief Executive Officer of Fischer Francis Trees & Watts, Inc., a fixed income investment management subsidiary of BNP Paribas. He was formerly the head of the investment division at the World Bank, and is a member of the Foreign Affairs Policy Board of the U.S. Department of State.

Mr. Ahamed holds a B.A. in economics from Trinity College, Cambridge University and an M.A. in economics from Harvard University.

Ravi Akhoury (Born 1947)
Trustee since 2009

Mr. Akhoury serves as a Trustee of the Rubin Museum, serving on the Investment Committee, and of the American India Foundation. Mr. Akhoury is also a Director of RAGE Frameworks, Inc. and English Helper, Inc. (each a private software company).

Previously, Mr. Akhoury served as a Director of Jacob Ballas Capital India (a non-banking finance company focused on private equity advisory services) and a member of its Compensation Committee. He was also a Director and on the Compensation Committee of MaxIndia/New York Life Insurance Company in India. He was also Vice President and Investment Policy Committee member of Fischer Francis Trees & Watts, a fixed income investment management firm. He has also served on the Board of Bharti Telecom (an Indian telecommunications company), serving as a member of its Audit and Compensation Committees, and as a Director and member of the Audit Committee on the Board of Thompson Press (a publishing company). From 1992 to 2007, he was Chairman and CEO of MacKay Shields, a multi-product investment management firm with over $40 billion in assets under management.

Mr. Akhoury graduated from the Indian Institute of Technology with a B.S. in Engineering and obtained an M.S. in Quantitative Methods from SUNY at Stony Brook.

Barbara M. Baumann (Born 1955)
Trustee since 2010

Ms. Baumann is President and Owner of Cross Creek Energy Corporation, a strategic consultant to domestic energy firms and direct investor in energy projects.

Ms. Baumann currently serves as a Director of SM Energy Company (a publicly held U.S. exploration and production company) and UNS Energy Corporation (a publicly held electric and gas utility in Arizona). She is a director of Cody Resources management (a private company in the energy and ranching businesses). Ms. Baumann is a Trustee of Mount Holyoke College. She is a former Chair of the Board and a current Board member of Girls Inc. of Metro Denver, and serves on the Finance Committee of The Children's Hospital of Colorado, as well as the Investment Committee of The Denver Foundation.

Until May 2012, Ms. Baumann was a Director of CVR Energy (a publicly held petroleum refiner and fertilizer manufacturer). Prior to 2003, Ms. Baumann was Executive Vice President of Associated Energy Managers, a domestic private equity firm. From 1981 until 2000, she held a variety of financial and operational management positions with the global energy company Amoco Corporation and its successor, BP, most recently serving as Commercial Operations Manager of its Western Business Unit. Ms. Baumann holds an M.B.A. from The Wharton School of the University of Pennsylvania and a B.A. from Mount Holyoke College.

Jameson A. Baxter (Born 1943)
Trustee since 1994, Vice Chair from 2005 to 2011 and Chair since 2011

Ms. Baxter is the President of Baxter Associates, Inc., a private investment firm.

Ms. Baxter serves as Chair of the Mutual Fund Directors Forum, Director of the Adirondack Land Trust and Trustee of the Nature Conservancy's Adirondack Chapter. Until 2011, Ms. Baxter was a director of ASHTA Chemical, Inc. Until 2007, she was a Director of Banta Corporation (a printing and supply chain management company), Ryerson, Inc. (a metals service corporation), and Advocate Health Care. She has also served as a director on a number of other boards, including BoardSource (formerly the National Center for Nonprofit Boards), Intermatic Corporation (a manufacturer of energy control products), and MB Financial. She is Chair Emeritus of the Board of Trustees of Mount Holyoke College, having served as Chair for five years.

Ms. Baxter has held various positions in investment banking and corporate finance, including Vice President of and Consultant to First Boston Corporation and Vice President and Principal of the Regency Group. She is a graduate of Mount Holyoke College.

Charles B. Curtis (Born 1940)
Trustee since 2001

Mr. Curtis serves as Senior Advisor to the Center for Strategic and International Studies and is President Emeritus of the Nuclear Threat Initiative (a private foundation dealing with national security issues).

Mr. Curtis is a member of the Council on Foreign Relations and the U.S. State Department International Security Advisory Board. He also serves as a Director of Edison International and Southern California Edison.

Mr. Curtis is an attorney with over 15 years in private practice and 19 years in various positions in public service, including service at the Department of Treasury, the U.S. House of Representatives, the Securities and Exchange Commission, the Federal Energy Regulatory Commission and the Department of Energy.

Robert J. Darretta (Born 1946)
Trustee since 2007

Mr. Darretta serves as Director of UnitedHealth Group, a diversified health-care company.

Until April 2007, Mr. Darretta was Vice Chairman of the Board of Directors of Johnson & Johnson, one of the world's largest and most broadly based health-care companies. Prior to 2007, he had responsibility for Johnson & Johnson's finance, investor relations, information technology, and procurement functions. He served as Johnson & Johnson Chief Financial Officer for a decade, prior to which he spent two

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years as Treasurer of the corporation and over 10 years leading various Johnson & Johnson operating companies. From 2009 until 2012, Mr. Darretta served as the Health Care Industry Adviser to Permira, a global private equity firm.

Mr. Darretta received a B.S. in Economics from Villanova University.

Katinka Domotorffy (Born 1975)
Trustee since 2012

Ms. Domotorffy is a voting member of the Investment Committee of the Anne Ray Charitable Trust, part of the Margaret A. Cargill Philanthropies. She also serves as the Vice Chair of Reach Out and Read of Greater New York, an organization dedicated to promoting childhood literacy.

Until December 2011, Ms. Domotorffy was Partner, Chief Investment Officer, and Global Head of Quantitative Investment Strategies at Goldman Sachs Asset Management.

Ms. Domotorffy holds a BSc in Economics from the University of Pennsylvania and an MSc in Accounting and Finance from the London School of Economics.

John A. Hill (Born 1942)
Trustee since 1985 and Chairman from 2000 to 2011

Mr. Hill is founder and Vice-Chairman of First Reserve Corporation, the leading private equity buyout firm specializing in the world-wide energy industry, with offices in Greenwich, Connecticut; Houston, Texas; London, England; and Hong Kong, China. The firm’s investments on behalf of some of the nation’s largest pension and endowment funds are currently concentrated in 31 companies with annual revenues in excess of $15 billion, which employ over 100,000 people in 23 countries.

Mr. Hill is a Director of Devon Energy Corporation (a leading independent natural gas and oil exploration and production company) and various private companies owned by First Reserve, and serves as a Trustee of Sarah Lawrence College where he serves as Chairman and also chairs the Investment Committee. He is also a member of the Advisory Board of the Millstein Center for Global Markets and Corporate Ownership at The Columbia University Law School.

Prior to forming First Reserve in 1983, Mr. Hill served as President of F. Eberstadt and Company, an investment banking and investment management firm. Between 1969 and 1976, Mr. Hill held various senior positions in Washington, D.C. with the federal government, including Deputy Associate Director of the Office of Management and Budget and Deputy Administrator of the Federal Energy Administration during the Ford Administration.

Born and raised in Midland, Texas, he received his B.A. in Economics from Southern Methodist University and pursued graduate studies as a Woodrow Wilson Fellow.

Paul L. Joskow (Born 1947)
Trustee since 1997

Dr. Joskow is an economist and President of the Alfred P. Sloan Foundation (a philanthropic institution focused primarily on research and education on issues related to science, technology, and economic performance). He is the Elizabeth and James Killian Professor of Economics, Emeritus at the Massachusetts Institute of Technology (MIT), where he joined the faculty in 1972. Dr. Joskow was the Director of the Center for Energy and Environmental Policy Research at MIT from 1999 through 2007.

Dr. Joskow serves as a Trustee of Yale University, as a Director of TransCanada Corporation (an energy company focused on natural gas transmission, oil pipelines, and power services) and of Exelon Corporation (an energy company focused on power services), and as a member of the Board of Overseers of the Boston Symphony Orchestra. Prior to August 2007, he served as a Director of National Grid (a UK-based holding company with interests in electric and gas transmission and distribution and telecommunications infrastructure). Prior to July 2006, he served as President of the Yale University Council. Prior to February 2005, he served on the Board of the Whitehead Institute for Biomedical Research (a non-profit research institution). Prior to February 2002, he was a Director of State Farm Indemnity Company (an automobile insurance company), and prior to March 2000, he was a Director of New England Electric System (a public utility holding company).

Dr. Joskow has published seven books and numerous articles on industrial organization, government regulation of industry, and competition policy. He is active in industry restructuring, environmental, energy, competition, and

privatization policies — having served as an advisor to governments and corporations worldwide. Dr. Joskow holds a Ph.D. and M.Phil. from Yale University and a B.A. from Cornell University.

Kenneth R. Leibler (Born 1949)
Trustee since 2006

Mr. Leibler is a founder and former Chairman of the Boston Options Exchange, an electronic marketplace for the trading of derivative securities.

Mr. Leibler currently serves on the Board of Trustees of Beth Israel Deaconess Hospital in Boston. He is also a Director of Northeast Utilities, which operates New England's largest energy delivery system, and, until November 2010, was a Director of Ruder Finn Group, a global communications and advertising firm. Prior to December 2006, he served as a Director of the Optimum Funds group. Prior to October 2006, he served as a Director of ISO New England, the organization responsible for the operation of the electric generation system in the New England states. Prior to 2000, Mr. Leibler was a Director of the Investment Company Institute in Washington, D.C.

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Prior to January 2005, Mr. Leibler served as Chairman and Chief Executive Officer of the Boston Stock Exchange. Prior to January 2000, he served as President and Chief Executive Officer of Liberty Financial Companies, a publicly traded diver-sified asset management organization. Prior to June 1990, Mr. Leibler served as President and Chief Operating Officer of the American Stock Exchange (AMEX), and at the time was the youngest person in AMEX history to hold the title of President. Prior to serving as AMEX President, he held the position of Chief Financial Officer, and headed its management and marketing operations. Mr. Leibler graduated with a degree in Economics from Syracuse University.

Robert E. Patterson (Born 1945)
Trustee since 1984

Mr. Patterson is Co-Chairman of Cabot Properties, Inc. (a private equity firm investing in commercial real estate) and Chairman of its Investment Committee.

Mr. Patterson is past Chairman and served as a Trustee of the Joslin Diabetes Center. He previously was a Trustee of the Sea Education Association. Prior to December 2001, Mr. Patterson was President and Trustee of Cabot Industrial Trust (a publicly traded real estate investment trust). Prior to February 1998, he was Executive Vice President and Director of Acquisitions of Cabot Partners Limited Partnership (a registered investment adviser involved in institutional real estate investments). Prior to 1990, he served as Executive Vice President of Cabot, Cabot & Forbes Realty Advisors, Inc. (the predecessor company of Cabot Partners).

Mr. Patterson practiced law and held various positions in state government, and was the founding Executive Director of the Massachusetts Industrial Finance Agency. Mr. Patterson is a graduate of Harvard College and Harvard Law School.

George Putnam, III (Born 1951)
Trustee since 1984

Mr. Putnam is Chairman of New Generation Research, Inc. (a publisher of financial advisory and other research services), and President of New Generation Advisors, LLC (a registered investment adviser to private funds). Mr.

Putnam founded the New Generation companiele="DISPLAY: inline; FONT-SIZE: 10pt; FONT-FAMILY: times new roman">

	December 31,			
	2008	2007	2008	2007
Revenues:				
Interest and fee income	$ 84,880,761	75,207,879	241,283,794	210,303,422
Insurance and other income	14,775,473	12,835,015	38,514,038	34,326,841
Total revenues	99,656,234	88,042,894	279,797,832	244,630,263
Expenses:				
Provision for loan losses	29,490,333	23,223,929	70,654,378	55,856,170
General and administrative expenses:				
Personnel	31,699,778	29,280,288	96,215,404	86,027,643
Occupancy and equipment	6,491,005	5,555,057	19,022,649	15,856,114
Data processing	572,987	343,486	1,743,384	1,532,994
Advertising	5,087,427	6,023,271	10,329,015	10,753,160
Amortization of intangible assets	621,355	621,844	1,844,902	1,874,838
Other	7,242,789	5,645,730	19,729,143	15,546,532
	51,715,341	47,469,676	148,884,497	131,591,281
Interest expense	2,787,409	3,338,181	8,016,213	8,606,177
Total expenses	83,993,083	74,031,786	227,555,088	196,053,628
Income before income taxes	15,663,151	14,011,108	52,242,744	48,576,635
Income taxes	5,658,849	6,723,034	19,523,443	19,972,176
Net income	$10,004,302	7,288,074	32,719,301	28,604,459
Net income per common share:				

Basic	$0.62	0.43	2.01	1.66
Diluted	$0.61	0.43	1.98	1.63
Weighted average common shares outstanding:				
Basic	16,203,282	16,892,219	16,289,319	17,200,506
Diluted	16,341,536	17,148,112	16,543,043	17,511,074

See accompanying notes to consolidated financial statements.

WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss),	Total Shareholders' Equity	Total Comprehensive Income
Balances at March 31, 2007	$ 5,770,665	209,769,808	(47,826)	215,492,647	
Proceeds from exercise of stock options (116,282 shares), including tax benefits of $1,110,598	2,724,938	-	-	2,724,938	
Common stock repurchases (1,375,100 shares)	(12,458,946)	(29,403,198)	-	(41,862,144)	
Issuance of restricted common stock under stock option plan (44,981 shares)	1,348,419	-	-	1,348,419	
Stock option expense	3,937,925	-	-	3,937,925	
Cumulative effect of FIN 48	-	(550,000)	-	(550,000)	
Other comprehensive income	-	-	217,329	217,329	217,329
Net income	-	52,996,158	-	52,996,158	52,996,158
Total comprehensive income	-	-	-	-	53,213,487
Balances at March 31, 2008	$ 1,323,001	232,812,768	169,503	234,305,272	
Proceeds from exercise of stock options (90,183 shares), including tax benefits of $704,244	2,078,789	-	-	2,078,789	
Common stock repurchase (288,700 shares)	(6,527,680)	(1,321,084)	-	(7,848,764)	
Issuance of restricted common stock under stock option plan (78,592 shares)	1,173,342	-	-	1,173,342	
Stock option expense	2,545,590	-	-	2,545,590	
Other comprehensive loss	-	-	(3,695,771)	(3,695,771)	(3,695,771)
Net income	-	32,719,301	-	32,719,301	32,719,301
Total comprehensive income	-	-	-	-	29,023,530
Balances at December 31, 2008	$ 593,042	264,210,985	(3,526,268)	261,277,759	

See accompanying notes to consolidated financial statements.

WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended December 31,	
	2008	2007
Cash flows from operating activities:		
Net income	$ 32,719,301	28,604,459
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	1,844,902	1,874,838
Amortization of loan costs and discounts	569,502	572,446
Provision for loan losses	70,654,378	55,856,170
Depreciation	2,550,410	2,666,458
Deferred income taxes	3,206,851	(1,818,126)
Compensation related to stock option and restricted stock plans	3,718,932	4,186,351
Unrealized losses on interest rate swap	869,123	829,126
Change in accounts:		
Other assets, net	(2,811,304)	(197,346)
Income taxes payable	(18,024,080)	(9,561,987)
Accounts payable and accrued expenses	3,122,082	621,939
Net cash provided by operating activities	98,420,097	83,634,328
Cash flows from investing activities:		
Increase in loans receivable, net	(150,922,924)	(154,168,220)
Assets acquired from office acquisitions, primarily loans	(8,601,606)	(2,899,857)
Increase in intangible assets from acquisitions	(1,591,935)	(1,637,099)
Purchases of property and equipment, net	(7,434,567)	(6,062,844)
Net cash used in investing activities	(168,551,032)	(164,768,020)
Cash flows from financing activities:		
Net change in bank overdraft		
Proceeds of senior revolving notes payable, net	80,850,000	102,450,000
Repurchases of common stock	(7,848,764)	(21,278,877)
Repayment of convertible senior subordinated notes payable	(2,916,000)	-
Gain on the extinguishment of debt	(2,084,000)	-
Repayment of other notes payable	(400,000)	(200,000)
Proceeds from exercise of stock options	1,374,545	1,252,653
Excess tax benefit from exercise of stock options	704,244	569,613
Other	-	(208,483)
Net cash provided by financing activities	69,680,025	83,082,750
Increase (decrease) in cash and cash equivalents	(450,910)	1,949,058

Cash and cash equivalents at beginning of period		7,589,575	5,779,032
Cash and cash equivalents at end of period	$	7,138,665	7,728,090

See accompanying notes to consolidated financial statements.

WORLD ACCEPTANCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The Consolidated Financial Statements of the Company at December 31, 2008, and for the three and nine months then ended were prepared in accordance with the instructions for Form 10-Q and are unaudited; however, in the opinion of management, all adjustments (consisting only of items of a normal recurring nature) necessary for a fair presentation of the financial position at December 31, 2008, and the results of operations and cash flows for the periods ended December 31, 2008 and 2007, have been included. The results for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

Certain reclassification entries have been made for fiscal 2008 to conform with fiscal 2009 presentation. These reclassifications had no impact on shareholders' equity and comprehensive income or net income.

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

These Consolidated Financial Statements do not include all disclosures required by U.S. generally accepted accounting principles and should be read in conjunction with the Company's audited Consolidated Financial Statements and related notes for the fiscal year ended March 31, 2008, included in the Company's 2008 Annual Report to Shareholders.

NOTE 2 – SUMMARY OF SIGNIFICANT POLICIES

Effective April 1, 2008, the first day of fiscal 2009, the Company adopted Statement of Financial Accounting Standards No. 159 ("SFAS 159"), "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value reporting option for any assets and liabilities not previously recorded at fair value.

Effective April 1, 2008, the first day of fiscal 2009, the Company adopted the provisions of Statement of Financial Accounting Standards No. 157 ("SFAS 157"), "Fair Value Measurements" for financial assets and liabilities, as well as any other assets and liabilities that are carried at fair value on a recurring basis in financial statements. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements in which the Financial Accounting Standards Board ("FASB") has previously concluded that fair value is the relevant measurement attribute. Accordingly, SFAS 157 does not require any new fair value measurements. The Company applied the provisions of FSP FAS 157-2, "Effective Date of FASB Statement 157," which defers the provisions of SFAS 157 for nonfinancial assets and liabilities to the first fiscal period beginning after November 15, 2008. The deferred nonfinancial assets and liabilities include items such as goodwill and other nonamortizable intangibles. The Company is required to adopt SFAS 157 for nonfinancial assets and liabilities in the first quarter of fiscal 2010 and the Company's management is still evaluating the impact on the Company's Condensed Consolidated Financial Statements.

Financial assets and liabilities measured at fair value are grouped in three levels. The levels prioritize the inputs used to measure the fair value of the assets or liabilities. These levels are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in market that are less active.
- Level 3 – Unobservable inputs for assets or liabilities reflecting the reporting entity's own assumptions.

The following financial liabilities were measured at fair value on a recurring basis during the nine months ended December 31, 2008:

		Fair Value Measurements Using		
	December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swaps	$ (2,539,741)	$ -	$ (2,539,741)	$ -

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There have been no other material changes to the Company's significant accounting policies and estimates from the information provided in Note 1 of the Company's Consolidated Financial Statements included in the Form 10-K for the fiscal year ended March 31, 2008.

NOTE 3 – COMPREHENSIVE INCOME (LOSS)

The Company applies the provisions of Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards ("SFAS") No. 130 "Reporting Comprehensive Income." The following summarizes accumulated other comprehensive income (loss) as of September 30:

	Three months ended December 31,		Nine months ended December 31,	
	2008	2007	2008	2007
Balance at beginning of period	$ (400,811)	(63,995)	169,503	(47,826)
Unrealized loss from foreign exchange translation adjustment	(3,125,457)	(13,757)	(3,695,771)	(29,926)
Balance at end of period	$ (3,526,268)	(77,752)	(3,526,268)	(77,752)

NOTE 4 - ALLOWANCE FOR LOAN LOSSES

The following is a summary of the changes in the allowance for loan losses for the periods indicated (unaudited):

	Three months ended December 31,		Nine months ended December 31,	
	2008	2007	2008	2007
Balance at beginning of period	$ 38,120,647	32,268,714	33,526,147	27,840,239
Provision for loan losses	29,490,333	23,223,929	70,654,378	55,856,170
Loan losses	(26,558,525)	(20,283,740)	(66,846,813)	(51,639,877)
Recoveries	1,694,403	1,532,579	5,069,652	4,627,973
Translation adjustment	(210,502)	(1,029)	(255,217)	1,670
Allowance on acquired loans	39,169	49,271	427,378	103,549
Balance at end of period	$ 42,575,525	36,789,724	42,575,525	36,789,724

The Company adopted Statement of Position No. 03-3 ("SOP 03-3"), "Accounting for Certain Loans or Debt Securities Acquired in a Transfer," which prohibits carry over or creation of valuation allowances in the initial accounting of all loans acquired in a transfer that are within the scope of this SOP. The Company believes that a loan has shown deterioration if it is over 60 days delinquent. The Company believes that loans acquired since the adoption of SOP 03-3 have not shown evidence of deterioration of credit quality since origination, and therefore, are not within the scope of SOP 03-3 because the Company did not pay consideration for, or record, acquired loans over 60 days delinquent. Loans acquired that are more than 60 days past due are included in the scope of SOP 03-3 and therefore, subsequent refinances or restructures of these loans would not be accounted for as a new loan.

For the quarters ended December 31, 2008 and 2007, the Company recorded adjustments of approximately $39,000 and $49,000, respectively, to the allowance for loan losses in connection with acquisitions in accordance with generally accepted accounting principles. These adjustments were approximately $427,000 and $104,000 for the

nine-months ended December 31, 2008 and 2007, respectively. These adjustments represent the allowance for loan losses on acquired loans which do not meet the scope of SOP 03-3.

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NOTE 5 – AVERAGE SHARE INFORMATION

The following is a summary of the basic and diluted average common shares outstanding:

	Three months ended December 31,		Nine months ended December 31,	
	2008	2007	2008	2007
Basic:				
Weighted average common shares outstanding (denominator)	16,203,282	16,892,219	16,289,319	17,200,506
Diluted:				
Weighted average common shares outstanding	16,203,282	16,892,219	16,289,319	17,200,506
Dilutive potential common shares	138,254	255,893	253,724	310,568
Weighted average diluted shares outstanding (denominator)	16,341,536	17,148,112	16,543,043	17,511,074

Options to purchase 309,055 and 141,375 shares of common stock at various prices were outstanding during the three months ended December 31, 2008 and 2007, respectively, but were not included in the computation of diluted EPS because the options are antidilutive. The shares related to the convertible senior notes payable (1,682,405) and related warrants were also not included in the computation of diluted EPS because the effect of such instruments was antidilutive.

NOTE 6 - EXTINGUISHMENT OF DEBT

In December 2008, the Company repurchased, in privately negotiated transactions, an aggregate principal amount of $5 million (or approximately 4.55% of the total) of its convertible senior subordinated notes due October 11, 2011 (the “Convertible Notes”) at an average discount to face value of approximately 42%. The Company spent approximately $2.9 million on the repurchase. The repurchase left $105 million principal amount of the Convertible Notes outstanding. The transactions were treated as an extinguishment of debt for accounting purposes. The Company recorded a gain of approximately $2 million on the repurchase of the Convertible Notes, which was partially offset by the write-off of $100,000 of deferred financing costs associated with the repurchase and cancellation of Convertible Notes.

NOTE 7 – STOCK-BASED COMPENSATION

Stock Option Plans

The Company has a 1992 Stock Option Plan, a 1994 Stock Option Plan, a 2002 Stock Option Plan, a 2005 Stock Option Plan and a 2008 Stock Option Plan for the benefit of certain directors, officers, and key employees. Under these plans, 6,010,000 shares of authorized common stock have been reserved for issuance pursuant to grants approved by the Compensation and Stock Option Committee of the Board of Directors. Stock options granted under these plans have a maximum duration of 10 years, may be subject to certain vesting requirements, which are generally one year for directors and between two and five years for officers and key employees, and are priced at the market value of the Company's common stock on the date of grant of the option. At December 31, 2008, there were 841,700 shares available for grant under the plans.

Effective April 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123-R"), using the modified prospective transition method, and did not retroactively adjust results from prior periods. Under this transition method, stock option compensation is recognized as an expense over the remaining unvested portion of all stock option awards granted prior to April 1, 2006, based on the fair values estimated at grant date in accordance with the original provisions of SFAS 123. The Company has applied the Black-Scholes valuation model in determining the fair value of the stock option awards. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated based on historical experience and future expectations.

The weighted-average fair values at the grant date for options issued during the nine months ended December 31, 2008 and 2007 were $8.51 and $14.21, respectively. This fair value was estimated at grant date using the weighted-average assumptions listed below.

	Three months ended December 31,		Nine months ended December 31,	
	2008	2007	2008	2007
Dividend yield	0%	0%	0%	0%
Expected volatility	50.67%	42.99%	50.67%	42.99%
Average risk-free interest rate	2.75%	3.98%	2.75%	4.00%
Expected life	5.9 years	6.9 years	5.9 years	6.9 years
Vesting period	5 years	5 years	5 years	5 years

The expected stock price volatility is based on the historical volatility of the Company's stock for a period approximating the expected life. The expected life represents the period of time that options are expected to be outstanding after their grant date. The risk-free interest rate reflects the interest rate at grant date on zero-coupon U.S. governmental bonds having a remaining life similar to the expected option term.

Option activity for the nine months ended December 31, 2008 was as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregated Intrinsic Value
Options outstanding, beginning of year	1,274,217	$ 25.33		
Granted	302,000	16.85		
Exercised	(90,183)	15.15		
Forfeited	(19,684)	28.19		
Options outstanding, end of period	1,466,350	$ 24.41	7.17	$ 3,905,542
Options exercisable, end of period	630,400	$ 21.31	5.20	$ 3,026,722

The aggregate intrinsic value reflected in the table above represents the total pre-tax intrinsic value (the difference between the closing stock price on December 31, 2008 and the exercise price, multiplied by the number of in-the-money options) that would have been received by option holders had all option holders exercised their options. The total intrinsic value of options exercised during the periods ended December 31, 2008 and 2007 were as follows:

	2008	2007
Three months ended	$ 21,311	693,655
Nine months ended	$ 2,307,894	1,738,972

As of December 31, 2008, total unrecognized stock-based compensation expense related to non-vested stock options amounted to approximately $7.3 million, which is expected to be recognized over a weighted-average period of approximately 3.72 years.

Restricted Stock

On November 10, 2008, the Company granted 50,000 shares of restricted stock (which are equity classified), with a grant date fair value of $16.85 per share, to certain executive officers. One-third of the restricted stock grant vested immediately and one-third will vest on the first and second anniversary of grant. On that same date, the Company granted an additional 29,100 shares of restricted stock (which are equity classified), with a grant date fair value of $16.85 per share, to the same executive officers. The 29,100 shares will vest in three years based on the Company's compounded annual EPS growth according to the following schedule:

Vesting Percentage	Compounded Annual EPS Growth
100%	15% or higher
67%	12% - 14.99%
33%	10% - 11.99%
0%	Below 10%

On May 19, 2008 the Company granted 12,000 shares of restricted stock (which are equity classified) with a grant date fair value of $43.67 per share to independent directors and a certain officer. One-half of the restricted stock vested immediately and the other half will vest on the first anniversary of grant.

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On November 28, 2007, the Company granted 20,800 shares of restricted stock (which are equity classified), with a grant date fair value of $30.94 per share, to certain executive officers. One-third of the restricted stock vested immediately and one-third will vest on the first and second anniversary of grant. On that same date, the Company granted an additional 15,150 shares of restricted stock (which are equity classified), with a grant date fair value of $30.94 per share, to the same executive officers. The 15,150 shares will vest in three years based on the Company's compounded annual EPS growth according to the following schedule:

Vesting Percentage	Compounded Annual EPS Growth
100%	15% or higher
67%	12% - 14.99%
33%	10% - 11.99%
0%	Below 10%

On November 12, 2007, the Company granted 8,000 shares of restricted stock (which are equity classified), with a grant date fair value of $28.19 per share, to certain officers. One-third of the restricted stock vested immediately and one-third will vest on the first and second anniversary of grant.

Compensation expense related to restricted stock is based on the number of shares expected to vest and the fair market value of the common stock on the grant date. The Company recognized approximately $593,000 and $1.4 million, respectively, of compensation expense for the quarter and nine-months ended December 31, 2008 and recognized approximately $584,000 and $1.3 million, respectively of compensation expense for the quarter and nine-months ended December 31, 2007 related to restricted stock, which is included as a component of general and administrative expenses in the Company's Consolidated Statements of Operations. All shares are expected to vest.

As of December 31, 2008, there was approximately $1,532,000 of unrecognized compensation cost related to unvested restricted stock awards granted, which is expected to be recognized over the next two years.

A summary of the status of the Company's restricted stock as of December 31, 2008, and changes during the nine months ended December 31, 2008, is presented below:

	Number of Shares	Weighted Average Fair Value at Grant Date
Outstanding at March 31, 2008	50,533	35.41
Granted during the period	91,100	20.38
Vested during the period	(48,879)	32.30
Cancelled during the period	(12,508)	17.83
Outstanding at December 31, 2008	80,246	$ 22.94

Total share-based compensation included as a component of net income during the nine months ended December 31, 2008 and 2007 was as follows:

	Three months ended		Nine months ended	
	2008	2007	2008	2007
Share-based compensation related to equity classified units:				
Share-based compensation related to stock options	$ 711,647	972,335	$ 2,603,852	2,885,537

Share-based compensation related to restricted stock units	592,900	583,841	1,382,818	1,300,814
Total share-based compensation related to equity classified awards	$ 1,304,547	1,556,176	3,986,670	4,186,351

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NOTE 8 – ACQUISITIONS

The following table sets forth the acquisition activity of the Company for the quarters ended December 31, 2008 and 2007:

	2008	2007
Number of offices purchased	21	21
Merged into existing offices	10	8
Purchase Price	$ 10,193,541	$ 4,536,956
Tangible assets:		
Net loans	8,550,656	2,765,043
Furniture, fixtures & equipment	48,500	128,000
Other	2,450	6,814
Excess of purchase prices over carrying value of net tangible assets	$ 1,591,935	$ 1,637,099
Customer lists	1,280,746	1,228,054
Non-compete agreements	80,000	96,000
Goodwill	231,189	313,045
Total intangible assets	$ 1,591,935	$ 1,637,099

The Company evaluates each acquisition to determine if the acquired enterprise meets the definition of a business. Those acquired enterprises that meet the definition of a business are accounted for as a business combination under SFAS No. 141 and all other acquisitions are accounted for as asset purchases. All acquisitions have been from independent third parties.

When the acquisition results in a new office, the Company records the transaction as a business combination, since the office acquired will continue to generate loans. The Company typically retains the existing employees and the office location. The purchase price is allocated to the estimated fair value of the tangible assets acquired and to the estimated fair value of the identified intangible assets acquired (generally non-compete agreements and customer lists). The remainder is allocated to goodwill. During the nine months ended December 31, 2008, 11 acquisitions were recorded as business combinations.

When the acquisition is of a portfolio of loans only, the Company records the transaction as an asset purchase. In an asset purchase, no goodwill is recorded. The purchase price is allocated to the estimated fair value of the tangible and intangible assets acquired. During the nine months ended December 31, 2008, 10 acquisitions were recorded as asset acquisitions.

The Company's acquisitions include tangible assets (generally loans and furniture and equipment) and intangible assets (generally non-compete agreements, customer lists, and goodwill), both of which are recorded at their fair values, which are estimated pursuant to the processes described below.

Acquired loans are valued at the net loan balance. Given the short-term nature of these loans, generally four months, and that these loans are subject to continual repricing at current rates, management believes the net loan balances approximate their fair value.

Furniture and equipment are valued at the specific purchase price as agreed to by both parties at the time of acquisition, which management believes approximates their fair values.

Non-compete agreements are valued at the stated amount paid to the other party for these agreements, which the Company believes approximates the fair value. The fair value of the customer lists is based on a valuation model that utilizes the Company's historical data to estimate the value of any acquired customer lists. In a business combination the remaining excess of the purchase price over the fair value of the tangible assets, customer list, and non-compete agreements is allocated to goodwill. The offices the Company acquires are small privately owned offices, which do not have sufficient historical data to determine attrition. The Company believes that the customers acquired have the same characteristics and perform similarly to its customers. Therefore, the company utilized the attrition patterns of its customers when developing the method. This method is re-evaluated periodically.

Customer lists are allocated at an office level and are evaluated for impairment at an office level when a triggering event occurs, in accordance with SFAS 144. If a triggering event occurs, the impairment loss to the customer list is generally the remaining unamortized customer list balance. In most acquisitions, the original fair value of the customer list allocated to an office is less than $100,000 and management believes that in the event a triggering event were to occur, the impairment loss to an unamortized customer list would be immaterial.

The results of all acquisitions have been included in the Company's Consolidated Financial Statements since the respective acquisition dates. The pro forma impact of these purchases as though they had been acquired at the beginning of the periods presented would not have a material effect on the results of operations as reported.

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS

On December 8, 2008, the Company entered into an interest rate swap with a notional amount of $20 million to economically hedge a portion of the cash flows from its floating rate revolving credit facility. Under the terms of the interest rate swap, the Company pays a fixed rate of 2.4% on the $20 million notional amount and receives payments from a counterparty based on the 1 month LIBOR rate for a term ending December 8, 2011. Interest rate differentials paid or received under the swap agreement are recognized as adjustments to interest expense.

On October 5, 2005, the Company entered into an interest rate swap with a notional amount of $30 million to economically hedge a portion of the cash flows from its floating rate revolving credit facility. Under the terms of the interest rate swap, the Company pays a fixed rate of 4.755% on the $30 million notional amount and receives payments from a counterparty based on the 1 month LIBOR rate for a term ending October 5, 2010. Interest rate differentials paid or received under the swap agreement are recognized as adjustments to interest expense.

At December 31, 2008 and 2007, the Company recorded a liability related to the interest rate swaps of approximately $2.5 million and $737,000, respectively, which represented the fair value of the interest rate swap at that date. An unrealized loss of $1.6 million and $610,000 was charged to other income for the quarters ended December 31, 2008 and 2007. During the quarter ended December 31, 2008 interest expense was increased by approximately $151,000, as a result of new payments under the terms of the interest rate swap. For the quarter ended December 31, 2007, interest expense was decreased by approximately $65,000, as a result of net receipts under the terms of the interest rate swap.

For the nine-months ended December 31, 2008 an unrealized loss of $869,000 was charged to other income. For the nine months ended December 31, 2007, an unrealized loss of approximately $829,000 was recorded. Interest expense was increased by approximately $482,000 for the nine-months ended December 31, 2008 and decreased approximately $118,000 for the nine-months ended December 31, 2007 as a result of net disbursements under the terms of the interest rate swap.

On May 15, 2008, the Company entered into a $10 million foreign exchange currency option to economically hedge its foreign exchange risk relative to the Mexican peso. Under the terms of the option contract, the Company could exchange $10 million U.S. dollars at a rate of 11.0 Mexican pesos per dollar. The option was sold in October 2008 and the Company recorded a $1.5 million net gain.

The Company does not enter into derivative financial instruments for trading or speculative purposes. The purpose of these instruments is to reduce the exposure to variability in future cash flows attributable to a portion of its LIBOR-based borrowings and to reduce variability in foreign cash flows. The fair value of the interest rate swap and currency option is recorded on the consolidated balance sheets as an other asset or other liability. The Company is currently not accounting for these derivative instruments using the cash flow hedge accounting provisions of SFAS 133; therefore, the changes in fair value of the swap and option are included in earnings as other income or expenses.

By using derivative instruments, the Company is exposed to credit and market risk. Credit risk, which is the risk that a counterparty to a derivative instrument will fail to perform, exists to the extent of the fair value gain in a derivative. Market risk is the adverse effect on the financial instruments from a change in interest rates or implied volatility of exchange rates. The Company manages the market risk associated with interest rate contracts and currency options by establishing and monitoring limits as to the types and degree of risk that may be undertaken. The market risk associated with derivatives used for interest rate and foreign currency risk management activities is fully incorporated in the Company's market risk sensitivity analysis.

NOTE 10 – ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, on April 1, 2007. As a result of the implementation of Interpretation 48, the Company recognized a charge of approximately $550,000 to the April 1, 2007 balance of retained earnings. As of December 31, 2008 and March 31, 2008, the Company had $4,523,820 and $8,764,255 of total gross unrecognized tax benefits including interest, respectively. Of this total, approximately $2,242,589 and $2,208,734, respectively, represents the amount of unrecognized tax benefits that are permanent in nature and, if recognized, would affect the annual effective tax rate. The decrease in the total gross unrecognized tax benefit including interest during the nine months ending December 31, 2008 is primarily attributable to the revaluation of a prior period uncertain tax position, which resulted in a decrease of $4,083,782 to the gross liability; additionally, the interest benefit accrued for the quarter comprises the remaining portion of the change in the unrecognized tax benefit.

The Company is subject to U.S and Mexican income taxes, as well as taxation in various other state and local jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2004, although carryforward attributes that were generated prior to 2004 may still be adjusted upon examination by the IRS if they either have been or will be used in a future period. The federal income tax returns (2005, 2006, and 2007) are currently under examination by the taxing authorities. In addition, the income tax returns (2001 through 2006) are under examination by a state authority, which has completed its examinations and issued a proposed assessment for tax years 2001 through 2006. The Company is in the initial process of responding to the jurisdiction. In consideration of the proposed assessment, the total gross unrecognized tax benefit was increased by $2.3 million during fiscal 2008. At this time, it is too early to predict the final outcome on this tax issue and any future recoverability of this charge. Until the tax issues are resolved the Company expects to accrue approximately $84,000 per quarter for interest.

The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. As of December 31, 2008, the Company had approximately $1.1 million accrued for interest and penalties, of which approximately $60,000 was recorded in the third quarter. The Company has determined that it is possible that the total amount of unrecognized tax benefits related to various state examinations will significantly increase or decrease within twelve months of the reporting date. However, at this time, a reasonable estimate of the range of possible change cannot be made until further correspondence has been conducted with the state taxing authorities.

WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

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

Results of Operations

The following table sets forth certain information derived from the Company's consolidated statements of operations and balance sheets, as well as operating data and ratios, for the periods indicated (unaudited):

	Three months ended December 31,		Nine months ended December 31,	
	2008	2007	2008	2007
	(Dollars in thousands)			
Average gross loans receivable(1)	$ 689,267	608,862	652,846	566,563
Average net loans receivable (2)	507,965	448,934	481,807	419,050
Expenses as a % of total revenue:				
Provision for loan losses	29.6%	26.4%	25.3%	22.8%
General and administrative	51.9%	53.9%	53.2%	53.8%
Total interest expense	2.8%	3.8%	2.9%	3.5%
Operating margin (3)	18.5%	19.7%	21.5%	23.4%
Return on average assets (annualized)	7.3%	5.9%	8.3%	8.3%
Offices opened or acquired, net	16	14	85	99
Total offices (at period end)	923	831	923	831

(1) Average gross loans receivable have been determined by averaging month-end gross loans receivable over the indicated period.
(2) Average loans receivable have been determined by averaging month-end gross loans receivable less unearned interest and deferred fees over the indicated period.
(3) Operating margin is computed as total revenues less provision for loan losses and general and administrative expenses, as a percentage of total revenue.

Comparison of Three Months Ended December 31, 2008, Versus
Three Months Ended December, 2007

Net income increased to $10.0 million for the three months ended December 31, 2008, or 37.3%, from the three month period ended December 31, 2007. Operating income (revenues less provision for loan losses and general and administrative expenses) increased approximately $1.1 million, or 6.3%.

Total revenues rose to $99.7 million during the quarter ended December 31, 2008, a 13.2% increase over the $88.0 million for the corresponding quarter of the previous year. This increase was attributable to new offices and an increase in revenues from offices open throughout both quarterly periods, gain on the extinguishment of debt and gain on the sale of the foreign currency option. Revenues from the 727 offices open throughout both quarterly periods increased by approximately 7.1%. At December 31, 2008, the Company had 923 offices in operation, an increase of 85 offices from March 31, 2008.

Interest and fee income for the quarter ended December 31, 2008 increased by $9.7 million, or 12.9%, over the same period of the prior year. This increase resulted from an $80.4 million increase, or 13.2%, in average gross loans receivable over the two corresponding periods.

Insurance commissions and other income increased by $1.9 million, or 15.1%, between the two quarterly periods. Insurance commissions increased by $405,000, or 4.8%, during the most recent quarter when compared to the prior year quarter due to the increase in loans in those states where credit insurance is sold in conjunction with the loan. Other income increased by approximately $1.5 million, or 34.3%, over the two corresponding quarters primarily due to a $1.5 million gain on the sale of the foreign currency option and a $2.0 million gain on the extinguishment of $5 million par value of the Convertible Notes. The gains were offset by a $1.0 million increase in the unrealized loss on the fair value of the interest rate swaps, a $700,000 reduction in World Class Buying Club (“WCBC”) sales, and a $100,000 reduction in auto club sales.

The provision for loan losses during the quarter ended December 31, 2008 increased by $6.3 million, or 27.0%, from the same quarter last year. Delinquencies and charge-offs continued to increase during the third quarter as a result of the ongoing economic environment. Accounts that were 61 days or more past due increased from 2.7% to 3.3% on a recency basis and from 3.9% to 4.6% on a contractual basis when comparing the two quarter end statistics. Net charge-offs as a percentage of average net loans increased from 16.7% (annualized) during the prior year third quarter to 19.6% (annualized) during the most recent quarter. As expected, due to the economic conditions, our charge-offs have continued to increase to historical levels. The Company continues to monitor closely the loan portfolio in light of the softening economy and believes that the loss ratios are within acceptable ranges in light of current economic conditions. At this time, management does not expect to see the Company's loss ratios improve for the remainder of the fiscal year.

General and administrative expenses for the quarter ended December 31, 2008 increased by $4.2 million, or 8.9% over the same quarter of fiscal 2008. Overall, general and administrative expenses, when divided by average open offices, decreased by approximately 2.0% when comparing the two periods. The total general and administrative expense as a percent of total revenues was 51.9% for the three months ended December 31, 2008 and was 53.9% for the three months ended December 31, 2007.

Interest expense decreased by approximately $551,000 when comparing the two corresponding quarterly periods as a result of a decrease in the average interest rate, offset by increases in the average outstanding debt balance.

The Company's effective income tax rate decreased to 36.1% for the quarter ended December 31, 2008. The Company's effective income tax rate for the quarter ended December 31, 2007 was 48.0% primarily due to a charge of $1.5 million related to a state jurisdiction tax examination in that quarter. Excluding the $1.5 million charge, the effective income tax rate for the quarter ended December 31, 2007, would have been 37.3%. At this time, it is still too early to predict the outcome on this tax issue or any future recoverability of this charge. Until the tax issue is finally resolved, the Company will continue to accrue approximately $40,000 per quarter for interest and penalties. The current quarter decrease in the Company's effective income tax rate was primarily due to a non-taxable gain of $700,000 related to the extinguishment of debt mentioned above.

In addition, the current quarter effective rate was reduced due to the extinguishment of debt. Of the $2.0 million gain recorded to other income, only $1.3 million was treated as a taxable gain.

Comparison of Nine Months Ended December 31, 2008, Versus
Nine Months Ended December 31, 2007

Net income increased to $32.7 million for the nine months ended December 31, 2008, or 14.4%, from the nine month period ended December 31, 2007. Operating income increased approximately $3.1 million, or 5.4%.

Total revenues rose to $279.8 million during the nine months ended December 31, 2008, a 14.4% increase over the $244.6 million for the corresponding nine months of the previous year. This increase was attributable to new offices and an increase in revenues from offices open throughout both nine month periods, a gain on the foreign currency option and a gain on the extinguishment of debt. Revenues from the 727 offices open throughout both quarterly periods increased by approximately 8.3%.

Interest and fee income for the nine months ended December 31, 2008 increased by $31.0 million, or 14.7%, over the same period of the prior year. This increase resulted from an $86.3 million increase, or 15.2%, in average gross loans receivable over the two corresponding periods.

Insurance commissions and other income increased by $4.2 million, or 12.2%, between the two nine month periods. Insurance commissions increased by $1.8 million, or 7.8%, during the most recent nine months when compared to the prior year nine months due to the increase in loans in those states where credit insurance is sold in conjunction with the loan. Other income increased by approximately $2.4 million, or 20.8%, over the corresponding nine months primarily due to a gain on the foreign currency option and a gain on the extinguishment of debt. The gains were offset by a reduction of revenue from the auto club sales of approximately $260,000 and a reduction of revenue from WCBC sales of approximately $300,000.

The provision for loan losses during the nine months ended December 31, 2008 increased by $14.8 million, or 26.5%, from the same nine months last year. Delinquencies and charge-offs continued to increase during the first nine months as a result of the ongoing deterioration in the economic environment. Net charge-offs as a percentage of average net loans increased from 15.0% (annualized) during the prior year first nine months to 17.1% (annualized) during the most recent nine months.

General and administrative expenses for the nine months ended December 31, 2008 increased by $17.3 million, or 13.1% over the same nine months of fiscal 2008. Overall, general and administrative expenses, when divided by average open offices, increased by approximately 1.4% when comparing the two periods. The total general and administrative expense as a percent of total revenues was 53.2% for the nine months ended December 31, 2008 and 53.8% the nine months ended December 31, 2007.

Interest expense decreased by approximately $590,000, or 6.9%, when comparing the two corresponding nine month periods as a result of increases in the average outstanding debt balance, offset by a decrease in the average interest rate.

The Company's effective income tax rate decreased to 37.4% for the nine months ended December 31, 2008 compared to 41.1% for the first nine months of the prior year. This decrease related to the FIN 48 adjustment discussed in Note 10 of the Consolidated Financial Statements and the extinguishment of debt.

Critical Accounting Policies

The Company's accounting and reporting policies are in accordance with U. S. generally accepted accounting principles and conform to general practices within the finance company industry. Certain accounting policies involve significant judgment by the Company's management, including the use of estimates and assumptions which affect the reported amounts of assets, liabilities, revenues, and expenses. As a result, changes in these estimates and assumptions could significantly affect the Company's financial position and results of operations. The Company considers its policies regarding the allowance for loan losses and share-based compensation to be its most critical accounting policies due to the significant degree of management judgment involved.

Allowance for Loan Losses

The Company has developed policies and procedures for assessing the adequacy of the allowance for loan losses that take into consideration various assumptions and estimates with respect to the loan portfolio. The Company's assumptions and estimates may be affected in the future by changes in economic conditions, among other factors. Additional information concerning the allowance for loan losses is discussed under "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Credit Quality" in the Company's report on Form 10-K for the fiscal year ended March 31, 2008.

Share-Based Compensation

The Company measures compensation cost for share-based awards at fair value and recognizes compensation over the service period for awards expected to vest. The fair value of restricted stock is based on the number of shares granted and the quoted price of the Company's common stock, and the fair value of stock options is determined using the Black-Scholes valuation model. The Black-Scholes model requires the input of highly subjective assumptions, including expected volatility, risk-free interest rate and expected life, changes to which can materially affect the fair value estimate. In addition, the estimation of share-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company's current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience. Actual results, and future changes in estimates, may differ substantially from the Company's current estimates.

Income Taxes

Management uses certain assumptions and estimates in determining income taxes payable or refundable, deferred income tax liabilities and assets for events recognized differently in its financial statements and income tax returns, and income tax expense. Determining these amounts requires analysis of certain transactions and interpretation of tax laws and regulations. Management exercises considerable judgment in evaluating the amount and timing of recognition of the resulting income tax liabilities and assets. These judgments and estimates are re-evaluated on a periodic basis as regulatory and business factors change.

No assurance can be given that either the tax returns submitted by management or the income tax reported on the Consolidated Financial Statements will not be adjusted by either adverse rulings by the U.S. Tax Court, or state or local taxing authorities, changes in tax laws or regulations, or assessments made by the Internal Revenue Service ("IRS") or state or local taxing authorities. The Company is subject to potential adverse adjustments, including but not limited to: an increase in the statutory federal or state income tax rates, the permanent non-deductible amounts currently considered deductible either now or in future periods, and the dependency on the generation of future taxable income, including capital gains, in order to ultimately realize deferred income tax assets.

The Company adopted FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes," on April 1, 2007. Under FIN 48, the Company includes the current and deferred tax impact of its tax positions in the financial statements when it is more likely than not (likelihood of greater than 50%) that such positions will be sustained by taxing authorities, with full knowledge of relevant information, based on the technical merits of the tax position. While the Company supports its tax positions by unambiguous tax law, prior experience with the taxing authority, and analysis that considers all relevant facts, circumstances and regulations, management must still rely on assumptions and estimates to determine the overall likelihood of success and proper quantification of a given tax position.

Liquidity and Capital Resources

The Company has financed its operations, acquisitions and office expansion through a combination of cash flow from operations and borrowings from its institutional lenders. The Company's primary ongoing cash requirements relate to the funding of new offices and acquisitions, the overall growth of loans outstanding, the repayment of indebtedness and the repurchase of its common stock. As the Company's gross loans receivable increased from $416.3 million at March 31, 2006 to $599.5 million at March 31, 2008, net cash provided by operating activities for fiscal years 2006, 2007 and 2008 was $98.0 million, $110.1 million and $136.0 million, respectively.

The Company believes stock repurchases to be a viable component of the Company's long-term financial strategy and an excellent use of excess cash when the opportunity arises. Although the Company historically has not repurchased shares during our loan growth season between October and December, management continues to analyze during this season, as it does at any other given time, whether stock repurchases are then advisable in light of our existing cash position, stock price, and available opportunities. Based on these considerations, the Company may repurchase stock during this season or at any other time. As of February 2, 2009, the Company has $13.1 million in aggregate remaining repurchase capacity under all of the Company's outstanding repurchase authorizations. In addition, we may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

The Company plans to open or acquire at least 70 branches in the United States and 25 branches in Mexico during fiscal 2009. Expenditures by the Company to open and furnish new offices averaged approximately $25,000 per office during fiscal 2008. New offices have also required from $100,000 to $400,000 to fund outstanding loans receivable originated during their first 12 months of operation.

The Company acquired 11 offices and 10 loan portfolios from competitors in 9 states in 13 separate transactions during the first nine months of fiscal 2009. Gross loans receivable purchased in these transactions were approximately $10.1 million in the aggregate at the dates of purchase. The Company believes that attractive opportunities to acquire new offices or receivables from its competitors or to acquire offices in communities not currently served by the Company will continue to become available as conditions in local economies and the financial circumstances of owners change.

The Company has a $187.0 million base credit facility with a syndicate of banks. In addition to the base revolving credit commitment, there is a $30.0 million seasonal revolving credit commitment available November 15 of each year through March 31 of the immediately succeeding year to cover the increase in loan demand during this period. On August 4, 2008, the credit facility expiration date was amended to September 30, 2010. Funds borrowed under the revolving credit facility bear interest, at the Company's option, at either the agent bank's prime rate per annum or the LIBOR rate plus 1.80% per annum. At December 31, 2008, the interest rate on borrowings under the revolving credit facility was 3.25%. The Company pays a commitment fee equal to 0.375% per annum of the daily unused portion of the revolving credit facility. Amounts outstanding under the revolving credit facility may not exceed specified percentages of eligible loans receivable. On December 31, 2008, $185,350,000 million was outstanding under this facility, and there was $31,650,000 million of unused borrowing availability under the borrowing base limitations. Based on management's discussions with its bankers, the Company does not currently believe that the recent turmoil in the credit markets will affect its access to funding to the extent permitted by the credit facility.

The Company's credit agreements contain a number of financial covenants, including minimum net worth and fixed charge coverage requirements. The credit agreements also contain certain other covenants, including covenants that

impose limitations on the Company with respect to (i) declaring or paying dividends or making distributions on or acquiring common or preferred stock or warrants or options; (ii) redeeming or purchasing or prepaying principal or interest on subordinated debt; (iii) incurring additional indebtedness; and (iv) entering into a merger, consolidation or sale of substantial assets or subsidiaries. The Company believes that it was in compliance with these agreements as of December 31, 2008, and does not believe that these agreements will materially limit its business and expansion strategy.

The Company’s contractual obligations as of December 31, 2008 relating to FIN 48 included unrecognized tax benefits of $4.5 million which are expected to be settled in greater than one year. While the settlement of the obligation is expected to be in excess of one year, the precise timing of the settlement is indeterminable.

The Company believes that cash flow from operations and borrowings under its revolving credit facility or other sources will be adequate to fund the expected cost of opening or acquiring new offices, including funding initial operating losses of new offices and funding loans receivable originated by those offices and the Company's other offices and the scheduled repayment of the other notes payable (for the next 12 months and for the foreseeable future beyond that). Other than possible effects that could result from a worsening or prolongment of existing adverse conditions in the general economy or credit or capital markets on which the Company depends in part to fund its operations, management is not currently aware of any trends, demands, commitments, events or uncertainties related to the Company’s operations that it believes will result in, or are reasonably likely to result in, the Company’s liquidity increasing or decreasing in any material way. From time to time, the Company has needed and obtained, and expects that it will continue to need on a periodic basis, an increase in the borrowing limits under its revolving credit facility. Although the Company has successfully obtained such increases in the past and believes that it will be able to obtain such increases or secure other sources of financing in the future as the need arises, continued uncertainty and turmoil in the credit markets could impair the Company’s ability to secure funding and adversely impact the cost of any available funding. There can be no assurance that this additional funding will be available if and when needed or that the cost or other terms of any such funding will not be materially unfavorable. For additional information regarding potential liquidity risks to the Company, see Part II, Item 1, Risk Factors, “Adverse conditions in the capital and credit markets generally, or any particular liquidity problems affecting one or more members of the syndicate of banks that are members of the Company’s credit facility, could affect the Company’s ability to meet its liquidity needs and its cost of capital,” included in the Report on Form 10-Q, as well as our risk factors as previously disclosed under Park I, Item 1A (page 9) of the Company’s Annual Report on Form 10-K for the year ended March 31, 2008.

Inflation

The Company does not believe that inflation has a material adverse effect on its financial condition or results of operations. The primary impact of inflation on the operations of the Company is reflected in increased operating costs. While increases in operating costs would adversely affect the Company's operations, the consumer lending laws of two of the eleven states in which the Company currently operates allow indexing of maximum loan amounts to the Consumer Price Index and nine are unregulated regarding the loan size. These provisions will allow the Company to make larger loans at existing interest rates, which could partially offset the effect of inflationary increases in operating costs.

Quarterly Information and Seasonality

The Company's loan volume and corresponding loans receivable follow seasonal trends. The Company's highest loan demand occurs each year from October through December, its third fiscal quarter. Loan demand is generally the lowest and loan repayment is highest from January to March, its fourth fiscal quarter. Loan volume and average balances remain relatively level during the remainder of the year. This seasonal trend causes fluctuations in the Company's cash needs and quarterly operating performance through corresponding fluctuations in interest and fee income and insurance commissions earned, since unearned interest and insurance income are accreted to income on a collection method. Consequently, operating results for the Company's third fiscal quarter are significantly lower than in other quarters and operating results for its fourth fiscal quarter are generally higher than in other quarters.

Recently Issued Accounting Pronouncements

Business Combinations

In December 2007, the Financial Accounting Standards Board issued SFAS No. 141 (revised 2007) ("SFAS 141R"), Business Combinations, which replaces SFAS 141, Business Combinations. SFAS 141R requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. SFAS 141R also requires acquisition-related costs and restructuring costs that the acquirer expected, but was not obligated to incur at the acquisition date, to be recognized separately from the business combination. In addition, SFAS 141R amends SFAS No. 109, Accounting for Income Taxes, to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital. SFAS 141R applies prospectively to business combinations in fiscal years beginning on or after December 15, 2008 and would therefore impact our accounting for future acquisitions beginning in fiscal 2010.

Noncontrolling Interest in Consolidated Financial Statements

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51" ("SFAS 160"). SFAS 160 clarifies the accounting for noncontrolling interests and establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, including classification as a component of equity. SFAS 160 is effective for fiscal years beginning after December 15, 2008, our fiscal 2010. The Company is in the process of determining the effect, if any, that the adoption of SFAS 160 will have on our Consolidated Financial Statements.

Disclosures about Derivative Instruments and Hedging Activities

On March 19, 2008, the FASB adopted Statement of Financial Accounting Standards No. 161 ("SFAS 161") "Disclosure About Derivative Instruments and Hedging Activities," which amends FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 161 requires companies with derivative instruments to disclose information about how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133, and how derivative instruments and related hedged items affect a company's financial position, financial performance, and cash flows. The required disclosures include the fair value of derivative instruments and their gains or losses in tabular format, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk, and the company's strategies and objectives for using derivative instruments. The SFAS 161 expands the current disclosure framework in Statement 133. SFAS 161 is effective prospectively for periods beginning on or after November 15, 2008.

Convertible Debt Instruments

On May 9, 2008, the FASB issued FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). FSP APB 14-1 applies to any convertible debt instrument that at conversion may be settled wholly or partly with cash, requires cash-settleable convertibles to be separated into their debt and equity components at issuance and prohibits the use of the fair-value option for such instruments. FSP APB 14-1 is effective for the first fiscal period beginning after December 15, 2008 and must be applied retrospectively to all periods presented with a cumulative effect adjustment being made as of the earliest period presented. We will be required to adopt FSP APB 14-1 in the first quarter of fiscal 2010 and are currently assessing the impact on our Consolidated Financial Statements.

Instruments Indexed to an Entity's Own Stock

In June 2008, the FASB ratified EITF Issue 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" ("EITF 07-5"). EITF 07-5 provides a new two-step model to be applied to any freestanding financial instrument or embedded feature that has all the characteristics of a derivative in paragraphs 6-9 of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, ("SFAS 133") in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the SFAS 133 paragraph 11(a) scope exception. It also clarifies on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 also applies to any freestanding financial instrument that is potentially settled in an entity's own stock, regardless of whether the instrument has all the characteristics of a derivative in paragraphs 6-9 of SFAS 133, for purposes of determining whether the instrument is within the scope of EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock. EITF 07-5 will be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company is in the process of assessing the effect that the adoption of EITF 07-5 will have on our Consolidated Financial Statements.

Useful Life of Intangible Assets

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, ”Determination of the Useful Life of Intangible Assets” (“FSP FAS 142-3”). FSP FAS 142-3 applies to all recognized intangible assets and its guidance is restricted to estimating the useful life of recognized intangible assets. FSP FAS 142-3 is effective for the first fiscal period beginning after December 15, 2008 and must be applied prospectively to intangible assets acquired after the effective date. We will be required to adopt FSP FAS 142-3 to intangible assets acquired beginning with the first quarter of fiscal 2010.

Forward-Looking Information

This report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," may contain various "forward-looking statements," within the meaning of Section 21E of the Securities Exchange Act of 1934, that are based on management's belief and assumptions, as well as information currently available to management. Statements other than those of historical fact, as well as those identified by the words "anticipate," "estimate," "plan," "expect," "believe," "may," "will," and "should" any variation of the foregoing and similar ex are forward-looking statements. Although the Company believes that the expectations reflected in any such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Any such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company's actual financial results, performance or financial condition may vary materially from those anticipated, estimated or expected. Among the key factors that could cause the Company's actual financial results, performance or condition to differ from the expectations expressed or implied in such forward-looking statements are the following: the continuation or worsening of adverse conditions in the global and domestic credit markets and uncertainties regarding, or the impact of governmental responses to, those conditions; changes in interest rates; risks inherent in making loans, including repayment risks and value of collateral, which risks may increase in light of adverse or recessionary economic conditions; recently-enacted, proposed, or contemplated legislative initiatives (which could be less favorable to the company in light of current economic and political conditions); the timing and amount of revenues that may be recognized by the Company; changes in current revenue and expense trends (including trends affecting delinquencies and charge-offs); changes in the Company's markets and general changes in the economy (particularly in the markets served by the Company); and other matters discussed in this Report in Part I, Item 1A, "Risk Factors" in the Company's most recent annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC") and the Company's other reports filed with, or furnished to, the SEC from time to time. The Company does not undertake any obligation to update any forward-looking statements it makes.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

The Company's financial instruments consist of the following: cash, loans receivable, senior notes payable, convertible senior subordinated notes payable, and interest rate swaps. Fair value approximates carrying value for all of these instruments, except the convertible notes payable, for which the fair value represents the quoted market price. The fair value of the convertible notes payable was $60,574,500 at December 31, 2008. Loans receivable are originated at prevailing market rates and have an average life of approximately four months. Given the short-term nature of these loans, they are continually repriced at current market rates. The Company's outstanding debt under its revolving credit facility was $185.4 million at December 31, 2008. Interest on borrowings under this facility is based, at the Company's option, on the agent bank's prime rate or LIBOR plus 1.80%.

Based on the outstanding balance at December 31, 2008, a change of 1% in the interest rates would cause a change in interest expense of approximately $1.4 million on an annual basis.

In December 2008, the Company entered into an interest rate swap to economically hedge the variable cash flows associated with $20 million of its LIBOR-based borrowings. This swap converted the $20 million from a variable rate based on one-month LIBOR to a fixed rate of 2.4% for a period of three years.

In October 2005, the Company entered into an interest rate swap to economically hedge the variable cash flows associated with $30 million of its LIBOR-based borrowings. This swap converted the $30 million from a variable rate based on one-month LIBOR to a fixed rate of 4.755% for a period of five years.

In accordance with SFAS 133, the Company records derivatives at fair value, as other assets or liabilities, on the consolidated balance sheets. Since the Company is not utilizing hedge accounting under SFAS 133, changes in the fair value of the derivative instrument are included in other income. As of December 31, 2008 the fair value of the interest rate swaps was a liability of approximately $2.5 million and is included in other liabilities. The change in fair value from the beginning of the fiscal year, recorded as an unrealized loss in other income, was approximately $869,000.

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Foreign Currency Exchange Rate Risk

In September 2005 the Company began opening offices in Mexico, where its local businesses utilize the Mexican peso as their functional currency. The Consolidated Financial Statements of the Company are denominated in U.S. dollars and are therefore subject to fluctuation as the U.S. dollar and Mexican peso foreign exchange rates change. International revenues were less than 5% of the Company's total revenues for the nine months ended December 31, 2008 and net loans denominated in Mexican pesos were approximately $9.8 million (USD) at December 31, 2008.

The Company's foreign currency exchange rate exposures may change over time as business practices evolve and could have a material effect on the Company's financial results. There have been, and there may continue to be, period-to-period fluctuations in the relative portions of Mexican revenues.

On May 15, 2008, the Company economically hedged its foreign exchange risk by purchasing a $10 million foreign exchange currency option with a strike rate of 11.00 Mexican pesos per US dollar. Changes in the fair value of this option were recorded as a component of earnings since the Company did not apply hedge accounting under SFAS 133. The option was sold in October 2008 and the Company recorded a $1.5 million net gain.

As currency exchange rates change, translation of the financial results of our Mexican operations into United States dollars will be impacted. Changes in exchange rates have resulted in cumulative translation adjustments which decreased our net assets by approximately $3.5 million as of December 31, 2008 and increased our net assets by approximately $170,000 as of March 31, 2008. These cumulative translation adjustments are included in accumulated other comprehensive income (loss) as a separate component of shareholders' equity and comprehensive income. Due to the immateriality of our current operations in Mexico, a change in foreign currency exchange rates is not expected to have a significant impact on our consolidated financial position, results of operations or cash flows.

Item 4. Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures as of December 31, 2008. Based on that evaluation, the Company's management, including the CEO and CFO, has concluded that the Company's disclosure controls and procedures are effective as of December 31, 2008. During the third quarter of fiscal 2009, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time the Company is involved in routine litigation relating to claims arising out of its operations in the normal course of business. The Company believes that it is not presently a party to any such pending legal proceedings that would have a material adverse effect on its financial condition.

Item 1A. Risk Factors

For a discussion of certain risk factors that could cause our financial results and condition to vary materially from period to period or cause actual results to differ from our expectations for our future financial and business performance, refer to the risk factors previously disclosed under Part I, Item 1A (page 9) of the Company's Annual Report on Form 10-K for the year ended March 31, 2008, as supplemented and updated by the information below. Any of these risks, as well as other risks, uncertainties, and possibly inaccurate assumptions underlying our plans and expectations, could result in harm to our business, results of operations and financial condition and cause the value of our securities to decline, which in turn could cause investors to lose all or part of their investment in our Company. These factors, along with others, could cause actual results to differ from those we have experienced in the past or those we may express or imply from time to time in any forward-looking statements we make. Investors are advised that it is impossible to identify or predict all risks, and that risks not currently known to us or that we may currently deem immaterial also could materially and adversely affect us in the future.

Overall stock market volatility may materially and adversely affect the market price of our common stock.

World's common stock price has been and is likely to continue to be subject to significant volatility. A variety of factors could cause the price of the common stock to fluctuate, perhaps substantially, including: general market fluctuations resulting from factors not directly related to World's operations or the inherent value of its common stock; state or federal legislative or regulatory proposals, initiatives, actions or changes that are, or are perceived to be, adverse to our operations; announcements of developments related to our business; fluctuations in our operating results and the provision for loan losses; general conditions in the financial service industry, the domestic or global economy or the domestic or global credit or capital markets; changes in financial estimates by securities analysts; adverse developments in our relationships with our customers; legal proceedings brought against the Company or its officers; or significant changes in our senior management team. Of late the stock market in general, and the market for shares of equity securities of many financial service companies in particular, have experienced extreme price fluctuations that have often been unrelated to the operating performance of those companies. Such fluctuations and market volatility based on these or other factors may materially and adversely affect the market price of our common stock.

Federal legislative or regulatory proposals, initiatives, actions or changes that are adverse to our operations or result in adverse regulatory proceedings, or, our failure to comply with existing federal laws and regulations or such laws or regulations that may be enacted in the future, could force us to modify, suspend or cease, part or all of our nationwide operations.

In addition to state and local laws and regulations, we are subject to numerous federal laws and regulations that affect our lending operations. Although these laws and regulations have remained substantially unchanged for many years, we believe there now exists, due to current economic conditions primarily in other financial sectors, such as the mortgage lending industry, combined with changes in the make-up of the current administration and Congress and the particular political and media focus on issues of consumer and borrower protection, the possibility that the laws and regulations that directly affect our lending activities could become subject to review and change in a manner that

could force us to modify, suspend or cease part, or, in the worst case, all of our existing operations. It is also possible that the scope of federal regulations could change or expand in such a way as to preempt what has traditionally been state law regulation of our business activities. The enactment of one or more of such regulatory changes could materially and adversely affect our business, results of operations and prospects.

Adverse conditions in the capital and credit markets generally, or any particular liquidity problems affecting one or more members of the syndicate of banks that are members of the Company's credit facility, could affect the Company's ability to meet its liquidity needs and its cost of capital.

The severe turmoil that has persisted in the domestic and global credit capital markets since last year has negatively affected corporate liquidity, equity values, credit agency ratings and confidence in financial institutions. In addition to cash generated from operations, the Company depends on borrowings from institutional lenders to finance its operations, acquisitions and office expansion plans. Therefore, notwithstanding the Company's belief that its current liquidity position is adequate, the Company is not insulated from the pressures and potentially negative consequences of the current financial crisis.

The Company has a $187.0 million base revolving credit facility with a syndicate of banks. The syndicate's current commitment under this facility extends through the end of September, 2010. As a result of the recent turmoil, there have been reports in the popular press that some banks and other providers of credit have been unable or unwilling to meet their existing commitments or undertake new commitments to provide funds to commercial borrowers, which has forced some of these borrowers to either curtail certain operations or to seek operating capital from other, and likely more expensive, sources. Should a similar situation occur with one or more of the members of the syndicate of banks under the Company's revolving credit facility, the Company would be faced with one or more undesirable alternatives, including the limitation or curtailment of its lending operations, limitation or curtailment of its growth and expansion plans, or an attempt to seek other, and likely more expensive, sources of operating capital in either the corporate credit markets or the equity markets, both of which are currently under significant strain.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company's credit agreements contain certain restrictions on the payment of cash dividends on its capital stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity.

Issuer Purchases of Equity Securities

	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs
October 1 through October 31, 2008	-	-	-	4,805,506
November 1, through November 30, 2008 (1)	106,000	15.94	1,689,561	13,115,945
December 1, through December 31, 2008	-	-	-	$ 13,115,945(2)
Total for the quarter	106,000	$ 15.94	1,689,561	

(1)On November 10, 2008, the Board of Directors authorized the Company to repurchase up to $10 million of additional common stock.
(2)This remaining repurchase capacity as of December 31, 2008 includes $3.1 million remaining availability under an authorization of the Board of Directors on May 19, 2008 and $10 million remaining availability under the authorization referenced in footnote (1) above.

The timing and actual number of shares repurchased will depend on a variety of factors, including the stock price, corporate and regulatory requirements and other market and economic conditions. The Company's stock repurchase program is not subject to specific targets or any expiration date, but may be suspended or discontinued at any time.

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WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES

PART II. OTHER INFORMATION, CONTINUED

Item 6. Exhibits

Exhibit Number	Description	Previous Exhibit Number	Company Registration No. or Report
3.1	Second Amended and Restated Articles of Incorporation of the Company, as amended	3.1	333-107426
3.2	Fourth Amended and Restated Bylaws of the Company	99.1	8-03-07 8-K
4.1	Specimen Share Certificate	4.1	33-42879
4.2	Articles 3, 4 and 5 of the Form of Company's Second Amended and Restated Articles of Incorporation (as amended)	3.1	333-107426
4.3	Article II, Section 9 of the Company's Fourth Amended and Restated Bylaws	99.1	8-03-07 8-K
4.4	Amended and Restated Credit Agreement dated July 20, 2005	4.4	6-30-05 10-Q
4.5	First Amendment to Amended and Restated Revolving Credit Agreement, dated as of August 4, 2006	4.4	6-30-06 10-Q
4.6	Second Amendment to Amended and Restated Revolving Credit Agreement dated as of October 2, 2006	10.1	10-04-06 8-K
4.7	Third Amendment to Amended and Restated Revolving Credit Agreement dated as of August 31, 2007	10.1	9-7-07 8-K
4.8	Fourth Amendment to Amended and Restated Revolving Credit Agreement dated as of August 4, 2008	4.8	6-30-08 10-Q
4.9	Fifth Amendment to Amended and Restated Revolving Credit Agreement dated as of January 28, 2009	*	
4.10	Subsidiary Security Agreement dated as of June 30, 1997, as Amended through July 20, 2005	4.5	9-30-05 10-Q
4.11	Company Security Agreement dated as of June 20, 1997, as amended through July 20, 2005	4.6	9-30-05 10-Q
4.12	Fourth Amendment to Subsidiary Amended and Restated Security Agreement, Pledge and Indenture of Trust	4.7	6-30-05 10-Q

	(i.e. Subsidiary Security Agreement)		
4.13	Fourth Amendment to Amended and Restated Security Agreement, Pledge and Indenture of Trust, dated as of June 30, 1997 (i.e., Company Security Agreement)	4.10	9-30-04 10-Q
4.14	Fifth Amendment to Amended and Restated Security Agreement, Pledge and Indenture of Trust (i.e. Company Security Agreement)	4.9	6-30-05 10-Q
4.15	Form of 3.00% Convertible Senior Subordinated Note due 2011	4.1	10-12-06 8-K
4.16	Indenture, dated October 10, 2006 between the Company and U.S. Bank National Association, as Trustee	4.2	10-12-06 8-K

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Exhibit Number	Description	Previous Exhibit Number	Company Registration No. or Report
10.1	World Acceptance Corporation Retirement Savings Plan Fifth Amendment	*	
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	*	
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	*	
32.1	Section 1350 Certification of Chief Executive Officer	*	
32.2	Section 1350 Certification of Chief Financial Officer	*	

* Filed or furnished herewith.

SIGNATURES

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

WORLD ACCEPTANCE CORPORATION

By: /s/ A. Alexander McLean, III
A. Alexander McLean, III,
Chief Executive Officer
Date: February 5, 2009

By: /s/ Kelly M. Malson
Kelly M. Malson, Vice President and
Chief Financial Officer
Date: February 5, 2009