Blackstone Group L.P.
Form 8-K
March 10, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 10, 2008

The Blackstone Group L.P.

(Exact name of Registrant as specified in its charter)

Delaware	**001-33551**	**20-8875684**
(State or other jurisdiction of incorporation or organization)	***(Commission File Number)***	***(I.R.S. Employer Identification No.)***

345 Park Avenue **10154**

New York, New York
(Address of principal executive offices) *(Zip Code)*

(212) 583-5000

(Registrant s telephone number, including area code)

NOT APPLICABLE

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On March 10, 2008, The Blackstone Group L.P. issued a press release announcing financial results for its fourth quarter and year ended December 31, 2007.

A copy of the press release is attached hereto as Exhibit 99.1. All information in the press release is furnished but not filed.

Non-GAAP Financial Information

Blackstone discloses the following non-GAAP financial measures in the attached press release:

Economic Net Income, or ENI, represents segment net income excluding the impact of income taxes, non-cash charges associated with the vesting of transaction based equity-based compensation and the amortization of intangibles (collectively, non-cash charges). Blackstone s historical combined financial statements for periods prior to the initial public offering do not include these non-cash charges nor do such financial statements reflect certain compensation expenses including profit sharing arrangements associated with senior managing directors, departed partners and other selected employees. Those compensation expenses were accounted for as partnership distributions prior to the initial public offering but are included in the financial statements for periods following the initial public offering as a component of compensation and benefits expense. Therefore, ENI is equivalent to segment income before taxes in the historical combined financial statements prior to the initial public offering. The aggregate of ENI for all reportable segments equals Total Reportable Segment ENI which is disclosed in the Form 10-K. ENI is used by management primarily in making resource deployment and compensation decisions across Blackstone s four segments.

Pro Forma Economic Net Income adjusts Blackstone s ENI to (i) give pro forma effect to Blackstone s pre-initial public offering reorganization and initial public offering as if those events had occurred on January 1, 2006 consistent with Rule 11.01 of Regulation S-X, (ii) eliminate the revenues and expenses of the businesses that were not contributed as part of the reorganization, (iii) reflect expenses related to employee compensation and profit sharing arrangements that were not effective prior to the reorganization and (iv) eliminate interest expense.

Pro Forma Adjusted Economic Net Income After Taxes represents Pro Forma Economic Net Income adjusted to reflect the provision for income taxes using the effective income tax rate based on the components of ENI and the absence of any compensation expense on profit sharing plans adopted after the date of the reorganization prior thereto. This metric provides the reader with a basis for comparison with actual results reported for the three month periods ended September 30, 2007 and December 31, 2007.

Adjusted Cash Flow from Operations represents net cash flows used in operating activities adjusted for (i) cash flows relating to changes in operating assets and liabilities, (ii) Blackstone funds-related investment activity, (iii) net realized gains on investments, (iv) differences in the timing of realized gains by The Blackstone Group L.P. versus the Blackstone funds, (v) minority interest related to departed partners, (vi) GAAP versus cash income taxes, (vii) non-controlling interests in income of consolidated entities, and (viii) other non-cash adjustments.

Pro Forma Adjusted Cash Flow from Operations adjusts Blackstone s Adjusted Cash Flow from Operations to (i) give pro forma effect to Blackstone s pre-initial public offering reorganization and initial public offering as if those events had occurred on January 1, 2006 consistent with Rule 11.01 of Regulation S-X, (ii) eliminate the cash flows of entities that were not contributed as part of the reorganization, (iii) reflect the cash portion of expenses related to employee compensation that were not effective prior to the reorganization, (iv) eliminate interest expense and (v) reflect provision for income taxes.

Economic Net Income is a key performance measure used by management. Management considers Economic Net Income an important measure of value creation and benchmarks the firm s performance against Economic Net Income. Blackstone believes that Economic Net Income, Pro Forma Economic Net Income and Pro Forma Adjusted Economic Net Income After Taxes (and the related Economic Net Income after tax per Adjusted Unit), when presented in conjunction with comparable GAAP measures, are useful for investors as appropriate measures for evaluating its operating performance.

Blackstone has managed its historical liquidity and capital requirements by focusing on its cash flows before consolidation of the Blackstone funds and the effect of normal changes in assets and liabilities which it anticipates will be settled for cash within one year. Normal movements in Blackstone s short-term assets and liabilities do not affect its distribution decisions given its current and historically available borrowing capability. Adjusted Cash Flow from Operations is a supplemental measure of liquidity to assess liquidity and amounts available for distributions to Blackstone unit holders, including Blackstone personnel. Carry funds refer to Blackstone s corporate private equity funds, real estate funds, mezzanine funds and related entities that invest with such funds that are managed by Blackstone.

Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are included in the attached press release. These non-GAAP financial measures should be considered in addition to and not as a substitute for, or superior to, financial measures presented in accordance with GAAP.

Item 9.01 Financial Statements and Exhibits.
(d) Exhibits.

Exhibit No.	Description
Exhibit 99.1	Press release of The Blackstone Group L.P. dated March 10, 2008.

SIGNATURE

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

Date: March 10, 2008

The Blackstone Group L.P.
By: Blackstone Group Management L.L.C.,

its general partner

By: /s/ Robert L. Friedman
Name: Robert L. Friedman
Title: Chief Legal Officer

font-size:8pt">

396,000

-

-

396,000

-

792,000

Officer

R. Douglas Orr,

2011

420,000

-

297,400

(1)

735,000

-

1,452,400

Executive VP,

2010

400,000

-

285,000

(1)

500,000

-

1,185,000

Chief Financial

2009

330,000

-

-

330,000

-

660,000

Officer

Peter H.

2011

364,000

37,000

29,740

(2)

-

-

430,740

Watson,

2010

216,000

15,000

-

-

116,750

347,750

General

	2009
	-
	-
	-
	-
	141,800
	141,800

Counsel

Jim A. Motley,

2011

234,000

90,000

43,360

(2)

-

-

367,360

Vice President,

2010

225,000

70,000

28,500

(2)

-

-

323,500

Finance

2009

218,000

70,000

-

-

-

288,000

(1)

Amounts represent the grant date fair value of restricted stock awards granted under the terms of the Company s Restricted Stock Incentive Plan (RSIP), which are described in the Long Term Incentive Compensation section of the Compensation Discussion and Analysis included herein. The 2011 restricted stock awards granted under the RSIP consisted of 30,000 shares to the chief executive officer and 10,000 shares each to the chief operating officer and chief financial officer. Grant date fair values were determined by multiplying the number of shares granted times the closing market price of the Company s Common Stock on the date of grant. 20% of the awards were eligible for performance-based vesting based upon the 2011 performance measure, while 80% of performance-based vesting will be based on the performance measures in 2012, 2013, 2014 and 2015 (20% per year). The performance measure is defined as the percentage of net income growth over the comparative base period in fiscal 2010. For 2011, the Company achieved the targeted growth in net income compared to the base year. The Compensation Committee certified the achievement of the measure and the participants in RSIP were each awarded the maximum number of shares eligible for vesting (20%) of total target award, based on actual performance results in 2011. The 2010 restricted stock awards granted under the RSIP consisted of 30,000 shares to the chief executive officer and 10,000 shares each to the chief operating officer and chief financial officer. Grant date fair values were determined by multiplying the number of shares granted times the closing market price of the Company s Common Stock on the date of grant. 60% of the awards were eligible for performance-based vesting based upon the 2010 performance measure, while 40% of performance-based vesting will be based on the performance measures in 2011, 2012, 2013 and 2014 (10% per year). The performance measure is defined as the percentage of net income growth over the comparative base period in fiscal 2009. For 2010 and 2011, the Company has achieved the targeted growth in net income compared to the base. The Compensation Committee certified the achievement of the measure and the participants in RSIP were each awarded the maximum number of shares eligible for vesting each year based on actual performance results in 2010 and 2011, respectively. Approximately $440,000 and $855,000 was recognized as compensation expense in fiscal 2011 and 2010, respectively, as a result of the performance-based vesting of all RSIP awards.

(2)

Amounts represent the grant date fair value of restricted stock awards granted under the Company s 2011 Long-Term Incentive Plan. The 2011 restricted stock awards granted under the 2011 Long-Term Incentive Plan consisted of 1,000 shares each to the general counsel and to the vice president, finance. Grant date fair values were determined by multiplying the number of shares granted times the closing market price of the Company s Common Stock on the date of grant. These were discretionary awards which vest ratably over time beginning in January 2012, and become fully vested in January 2018. The grants have specific rules related to the treatment of the awards in the event of termination for cause, voluntary resignation, retirement, involuntary termination and change in control. The restricted stock awards granted in 2010 consisted of 1,000 shares to the vice president, finance. These awards vest ratably over time beginning in January 2011, and become fully vested in January 2017.

(3)

Amounts represent cash awards granted under the terms of the Company s Annual Performance Incentive Plan (APIP) which is provided under the term of the stockholder-approved Executive Performance Incentive Plan (the Incentive Plan). The APIP provides for the payment of annual cash incentive compensation based upon the achievement of performance goals established annually by the Compensation Committee based on one or more specified performance criteria. For fiscal 2011, the Compensation Committee established diluted earnings per share from continuing operations as the primary performance measure for the APIP. Additional measures related to growth in revenues, gross profit and net income and achievement of store addition targets were also included as components. For the participating executive officers, the Company had to achieve threshold diluted earnings per share from continuing operations in a range of $2.08 to $2.20 in order to receive an award under the plan. The range of awards related to the earnings per share target ranged from 50% to 175% of each CEO s Target Award for 2011 and from 25% to 100% of the other participants Target Award for 2011. In addition, the chief executive officer could receive awards totaling from 25% to 125% of the Target Award for attaining goals related to revenue growth, gross profit growth, net income growth and store openings/additions, making the chief executive officer s maximum achievable award under the plan equal to 300% of the Target Award. The other participants could receive awards totaling from 25% to 75% of the Target Award for attaining goals related to revenue growth, gross profit growth, and store openings/additions and, making the other participants maximum achievable award under the plan equal to 175% of the Target Award. For 2011, and as provided in the Plan, earnings per share measures as described above were adjusted retroactively to reflect the impact of the Company s decision to sell its short-term loan operations in Illinois. Actual earnings per share from continuing operations in fiscal 2011, which excluded the earnings from discontinued Illinois short-term loan operation, were $2.25 per share. In addition, the Company exceeded all store addition targets and growth targets for revenue, gross profit and net income. This resulted in the Compensation Committee awarding the maximum incentive awards being paid to each of the participating executive officers, which was 300% of the Target Award for the chief executive officer and 175% of the Target Award for the other participants. For fiscal 2010, the Compensation Committee established diluted earnings per share from continuing operations as the primary performance measure for the APIP. For the chief executive officer, additional measures related to store additions and revenue growth from continuing operations were also included as lesser components. For the participating executive officers, the Company had to achieve threshold diluted earnings per share from continuing operations in a range of $1.50 to $1.62 in order to receive an award under the plan. The range of awards related to the earnings per share target range from 25% to 125% of each participant s Target Award for 2010. In addition, the chief executive officer could achieve two additional awards equal to 25% of the chief executive officer s Target Award for attaining goals related to store openings/additions and revenue growth, making the chief executive officer s maximum achievable award under the plan equal to 175% of the Target Award. For 2010, and as provided in the Plan, earnings per share measures as described above were adjusted retroactively to reflect the impact of the Company s decision to discontinue its credit services operations in Maryland due to a change in state law. Actual earnings per share from continuing operations in fiscal 2010, which excluded the earnings from discontinued Maryland credit services operation, were $1.75 per share. In addition, the Company exceeded the store addition targets and revenue growth targets established for the chief executive officer. This resulted in the Compensation Committee awarding the maximum incentive awards being paid to each of the participating executive officers, which was 175% of the Target Award for the chief executive officer and 125% of the Target Award for the other participants. Over the prior three fiscal years, the Compensation Committee has not exercised its discretion to alter any individual awards.

(4)

The Company provides the named executive officers with certain group life, health, medical, and other noncash benefits generally available to all salaried employees that are not included in this column pursuant to SEC rules. The amounts shown in this column include (i) matching contributions by the Company under the First Cash 401(k) Profit Sharing Plan; (ii) automobile allowances to certain executive officers; (iii) reimbursement for club dues, (iv) reimbursement of health insurance and long-term disability premiums for Mr. Rick Wessel, and (v) personal use of the Company s aircraft by Mr. Rick Wessel. (The incremental cost of the personal use of the corporate aircraft was determined on a per flight and/or hours used basis based on variable costs associated with personal flight activity. The variable costs used in the calculation included fuel, crew compensation and travel, certain maintenance and repair expenses, related unoccupied positioning, or deadhead, flights, landing/parking and supplies.) As permitted by SEC rules, no amounts are shown in this table for perquisites and personal benefits for any individual named executive officers for whom such amounts do not exceed $10,000 in the aggregate.

Mr. Wessel s other compensation for 2011 includes matching contributions to a 401(k) account of $5,880, an automobile allowance of $7,729, reimbursement for dues at a country club in the amount of $21,507, Company-paid health insurance premiums in the amount of $5,278, personal use of the corporate aircraft of $27,542 and Company-paid long-term disability insurance premiums in the amount of $1,282. Mr. Wessel s other compensation for 2010 includes matching contributions to a 401(k) account of $5,880, an automobile allowance of $7,466, reimbursement for dues at a health club in the amount of $2,078, Company-paid life insurance premiums in the amount of $5,560, Company-paid health insurance premiums in the amount of $5,277, personal use of the corporate aircraft of $43,255 and Company-paid long-term disability insurance premiums in the amount of $837. Mr. Wessel s other compensation for 2009 includes matching contributions to a 401(k) account of $5,580, an automobile allowance of $8,765, reimbursement for dues at a health club in the amount of $2,010, Company-paid life insurance premiums in the amount of $5,560, Company-paid health insurance premiums in the amount of $4,619, personal use of the corporate aircraft of $3,652 and Company-paid long-term disability insurance premiums in the amount of $837.

Mr. Watson's other compensation was for legal and consulting fees earned prior to him becoming an employee and officer of the Company beginning in May 2010.

Employment Agreements

The Company has entered into employment agreements with four of the named executive officers that will require it to make payments to these individuals in the event of the termination of their employment or change in control of the Company. In addition, the Company s executive compensation and benefit plans provide such named executive officers with certain rights or the right to receive payments in the event of the termination of their employment or upon a change in control of the Company. The amounts payable to each of the named executive officers in each situation is described below, assuming that each individual s employment had terminated or a change in control of the Company had occurred on December 31, 2011.

In 2007, Mr. Wessel entered into an amended and restated employment agreement with the Company through December 31, 2012 to serve as the chief executive officer and president of the Company. The agreement was amended in April 2010 to extend the term through December 31, 2015; at the discretion of the Board of Directors this agreement may be extended for additional successive periods of one year on each January 1 anniversary. The agreement provides for: (i) a base salary, effective January 1, 2010, of $850,000 with increases at the discretion of the Compensation Committee; (ii) an annual bonus at the discretion of the Compensation Committee; (iii) participation in compensation plans at the discretion of the Compensation Committee; (iv) certain fringe benefits including club membership, use of the Company airplane, car, vacation, a term life insurance policy with a beneficiary designated by Mr. Wessel in the amount of $4 million; and (v) reimbursement of business related expenses. Mr. Wessel has agreed not to compete with the Company for a period of one year following his termination and not to solicit employees of the Company and not to solicit customers of the Company for a period of 90 days following his termination. Upon a change of control, Mr. Wessel may terminate the employment agreement with 90 days notice. Upon a change in control or other termination by Mr. Wessel for good cause or termination by the Company without cause or due to death or disability, the Company has agreed to pay Mr. Wessel all accrued compensation and expenses, plus all compensation and benefits provided for in the employment agreement through the term of the agreement. If Mr. Wessel s agreement had been terminated on December 31, 2011 by the Company without cause or as a result of death or disability, or by Mr. Wessel for good cause or following a change in control, Mr. Wessel would have been entitled to receive $3,560,000 in severance payments. All payments made in connection with the termination of Mr. Wessel s agreement must be paid by the Company in a single lump sum thirty days following the termination date of the agreement. Mr. Wessel s current base salary for 2012 is $926,000 per year. In addition to the change in control provisions provided under the employment agreement, in the event of a change in control on December 31, 2011, Mr. Wessel would also have vested in 33,000 shares of restricted stock under the terms of the Company s 2010 and 2011 Restricted Stock Incentive Plans.

In April 2010, Mr. Coffman entered into an amended and restated employment agreement, with the Company effective through December 31, 2013 to serve as the chief operating officer of the Company. The agreement provides for: (i) a base salary of $420,000 with increases at the discretion of the Compensation Committee; (ii) an annual cash bonus and/or incentive award at the discretion of the Compensation Committee; (iii) certain fringe benefits and vacation; and (iv) reimbursement of business related expenses. Mr. Coffman has agreed not to compete with the Company for a period of five years following his termination and not to solicit employees of the Company and not to solicit customers of the Company for a period of five years following his termination. In the event of termination of the agreement by the Company, other than for cause, Mr. Coffman is entitled to severance payments equal to his then current annual base salary for twelve months. If this agreement had been terminated by the Company on December 31, 2011, other than for cause, Mr. Coffman would have been entitled to severance payments equal to $440,000, paid over twelve months. In addition, should a future change in control of Company occur, the agreement provides for severance payments to Mr. Coffman equal to 100% of his then current annual base salary for remaining term of the agreement. Mr. Coffman s current base salary for 2012 is $458,000 per year. In addition to the change in control provisions provided under the employment agreement, in the event of a change in control on December 31, 2011, Mr. Coffman would also have vested in 11,000 shares of restricted stock under the terms of the Company s 2010 and 2011 Restricted Stock Incentive Plans.

In April 2010, Mr. Orr entered into an employment agreement with the Company effective through December 31, 2013 to serve as the executive vice president and chief financial officer of the Company. The agreement provides for: (i) a base salary of $400,000 with increases at the discretion of the Compensation Committee; (ii) an annual cash bonus and/or incentive award at the discretion of the Compensation Committee; (iii) certain fringe benefits and vacation; and (iv) reimbursement of business related expenses. Mr. Orr has agreed not to compete with the Company for a period of three years following his termination and not to solicit employees of the Company and not to solicit customers of the Company for a period of three years following his termination. In the event of termination of the agreement by the Company, other than for cause, Mr. Orr is entitled to severance payments equal to his then current annual base salary for twelve months. If this agreement had been terminated by the Company on December 31, 2011, other than for cause, Mr. Orr would have been entitled to severance payments equal to $420,000, paid over twelve months. In addition, should a future change in control of Company occur, the agreement provides for severance payments to Mr. Orr equal to 100% of his then current annual base salary for remaining term of the agreement, or for twelve months, whichever is greater. Mr. Orr s current base salary for 2012 is $437,000 per year. In addition to the change in control provisions provided under the employment agreement, in the event of a change in control on December 31, 2011, Mr. Orr would also have vested in 11,000 shares of restricted stock under the terms of the Company s 2010 and 2011 Restricted Stock Incentive Plans.

In April 2010, Mr. Watson entered into an employment agreement with the Company effective through December 31, 2013 to serve as general counsel of the Company. The agreement provides for: (i) a base salary of $350,000 with increases at the discretion of the Compensation Committee; (ii) an annual cash bonus and/or incentive award at the discretion of the Compensation Committee; (iii) certain fringe benefits and vacation; and (iv) reimbursement of business related expenses. Mr. Watson has agreed not to compete with the Company for a period of five years following his termination and not to solicit employees of the Company and not to solicit customers of the Company for a period of five years following his termination. In the event of termination of the agreement by the Company, other than for cause, Mr. Watson is entitled to severance payments equal to his then current annual base salary for twelve months. If this agreement had been terminated by the Company on December 31, 2011, other than for cause, Mr. Watson would have been entitled to severance payments equal to $364,000, paid over twelve months. In addition, should a future change in control of Company occur, the agreement provides for severance payments to Mr. Watson equal to 100% of his then current annual base salary for remaining term of the agreement, or for twelve months, whichever is greater. Mr. Watson s current base salary for 2012 is $375,000 per year. In addition to the change in control provisions provided under the employment agreement, in the event of a change in control on December 31, 2011, Mr. Watson would also have vested in 900 shares of restricted stock granted to him in 2011.

Consulting Agreement

In 2005, Mr. Phillip E. Powell, a former director and chief executive officer of the Company, entered into a consulting agreement with the Company to perform such services as may be requested by the Board of Directors. The agreement was amended in April 2010 to extend the term through December 31, 2016. The amended agreement provides for: (i) annual payments of $700,000; (ii) certain other benefits including club membership, car, health insurance; and (iii) reimbursement of business-related expenses. Mr. Powell has agreed not to compete with the Company, not to solicit employees of the Company, and not to solicit customers of the Company while serving as a consultant and for a period of one year following termination of the consulting agreement. Upon a change of control, Mr. Powell may terminate the consulting agreement with 90 days notice. Upon a change in control or other termination by Mr. Powell for good cause or termination by the Company without cause or due to death or disability, the Company has agreed to pay Mr. Powell all accrued compensation and expenses, plus all compensation and benefits provided for in the consulting agreement through the term of the agreement. If Mr. Powell s agreement had been terminated on December 31, 2011 by the Company without cause or as a result of death or disability, or by Mr. Powell for good cause or following a change in control, Mr. Powell would have been entitled to receive $3,500,000 paid by the Company in a single lump sum thirty days following the termination date of the agreement.

Stock Options and Warrants

Grants of Plan-Based Awards for Fiscal Year 2011

The following table provides information regarding the estimated possible payouts to participants under the Company s Executive Incentive Performance Plan. Except as set forth below, there were no other grants of equity or non-equity awards to named executive officers during 2011.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)						
Name	Grant Date	Thres-hold ($)	Target ($)	Maximum ($)	Thres-hold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stocks or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards $
Rick L. Wessel	Jan. 25, 2011	222,500	890,000	2,670,000	-	-	-	-	-	-	-
	Jan. 25, 2011	-	-	-	-	30,000	30,000	-	-	-	892,200(2)
Stephen O. Coffman	Jan. 25, 2011	110,000	440,000	770,000	-	-	-	-	-	-	-
	Jan. 25, 2011	-	-	-	-	10,000	10,000	-	-	-	297,400(2)
R. Douglas Orr	Jan. 25, 2011	105,000	420,000	735,000	-	-	-	-	-	-	-
	Jan. 25, 2011	-	-	-	-	10,000	10,000	-	-	-	297,400(2)
Peter H. Watson	Jan. 25, 2011	-	-	-	-	-	-	-	-	-	29,740(3)
		-	-	-	-	-	-	-	-	-	43,360(3)

Jim A. Motley	Oct. 18, 2011

(1)

The cash awards set forth in these columns are provided under the terms of the Annual Performance Incentive Plan, which is described in the Short Term Incentive Compensation section of the Compensation Discussion and Analysis and in the Summary Compensation Table.

(2)

These restricted stock awards are provided under the terms of the Restricted Stock Incentive Plan, which is described in the Long Term Incentive Compensation section of the Compensation Discussion and Analysis and in the Summary Compensation Table. Amounts shown in these columns represent shares from the 2011 award available for vesting over the measurement periods from 2011 through 2015.

(3)

These are discretionary restricted stock awards granted under the 2011 Long-Term Incentive Plan.

Outstanding Equity Awards at 2011 Fiscal Year-End

The following table provides information on the holdings of stock options and warrants by the named executive officers as of December 31, 2011. Each outstanding option and warrant grant is shown separately for each named executive officer.

	OPTION AWARDS					STOCK AWARDS			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights

							($)	Not Vested (#)	That Have Not Vested ($) (9)
Rick L.	90,000	-	-	15.00	01/2015	-	-	-	-
Wessel	90,000	-	-	15.00	12/2015	-	-	-	-
	90,000	-	-	17.00	12/2015	-	-	-	-
	90,000	-	-	17.50	01/2015	-	-	-	-
	90,000	-	-	19.00	12/2015	-	-	-	-
	90,000	-	-	20.00	01/2015	-	-	-	-
	240,000(1)	-	-	3.83	05/2013	-	-	-	-
	-	-	-	-	-	-	-	9,000(5)	315,810
	-	-	-	-	-	-	-	24,000(6)	842,160
Stephen									
O.	50,000	40,000(2)	-	10.00	03/2018	-	-	-	-
Coffman	-	-	-	-	-	-	-	3,000(5)	105,270
	-	-	-	-	-	-	-	8,000(6)	280,720
R.									
Douglas	-	6,000(3)	-	3.33	01/2013	-	-	-	-
Orr	60,000	-	-	15.00	12/2015	-	-	-	-
	60,000	-	-	17.00	12/2015	-	-	-	-
	60,000	-	-	17.50	01/2015	-	-	-	-
	60,000	-	-	19.00	12/2015	-	-	-	-
	60,000	-	-	20.00	01/2015	-	-	-	-
	-	-	-	-	-	-	-	3,000(5)	105,270
	-	-	-	-	-	-	-	8,000(6)	280,720
Peter H.	-	-	-	-	-	-	-	900(8)	31,581
Watson									
Jim A.	8,332	16,668(4)	-	24.57	04/2017	-	-	-	-
Motley	-	-	-	-	-	-	-	900(7)	31,581
	-	-	-	-	-	-	-	1,000(8)	35,090

(1)

These are warrants to purchase Common Stock which are fully vested.

(2)

The option to purchase Common Stock will vest and become exercisable as follows: 20,000 shares on March 18, 2012 and 20,000 shares on March 18, 2013.

(3)

The option to purchase Common Stock will vest and become exercisable as follows: 6,000 shares on January 29, 2012.

(4)

The option to purchase Common Stock will vest and become exercisable as follows: 4,166 shares on April 24, 2012, 4,166 shares on April 24, 2013, 4,166 shares on April 24, 2014, and 4,170 shares on April 24, 2015.

(5)

Restricted stock awards granted in 2010 under the RSIP. Vesting is performance-based, equally divided over measurement periods in fiscal 2012, 2013 and 2014.

(6)

Restricted stock awards granted in 2011 under the RSIP. Vesting is performance-based, equally divided over measurement periods in fiscal 2012, 2013, 2014 and 2015.

(7)

Restricted stock awards granted in 2010. Vesting is time-based over seven years and will be fully vested in 2017.

(8)

Restricted stock awards granted in 2011. Vesting is time-based over seven years and will be fully vested in 2018.

(9)

The market value of the unvested share awards is based on the closing price of the Company s Common Stock as of December 31, 2011, which was $35.09.

Option Exercises and Stock Vested In Fiscal 2011

The following table provides information, for the named executive officers, as to (1) the aggregate stock options and warrants exercised during 2011, including the number of shares acquired on exercise and the value realized, and (2) the aggregate number of shares acquired upon the vesting of restricted stock awards and the value realized, each before the payment of any applicable withholding tax and broker commissions:

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise $	Number of Shares Acquired on Vesting	Value Realized on Vesting $
Rick L. Wessel	160,000	3,741,400	9,000	315,810
Stephen O. Coffman	-	-	3,000	105,270
R. Douglas Orr	38,000	886,242	3,000	105,270
Peter H. Watson	-	-	100	3,299
Jim A. Motley	-	-	100	3,299

Pension Benefits

The Company does not have a defined benefit pension plan for its employees and has not included a table disclosing the actuarial present value of each named executive officer s accumulated benefits under defined benefit pension plans, the number of years of credited service under each such plan and the amount of pension benefits paid to each named executive officer during the year. The only retirement plans available to the named executive officers was the Company s qualified 401(k) savings plan, which is available to all employees.

Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans

The Company does not have nonqualified defined contribution and other nonqualified deferred compensation plans for its employees or directors.

Compensation of Directors

The following table presents summary information for the year ended December 31, 2011 regarding the compensation of the non-employee and non-consultant members of the Company s Board of Directors:

Name	Fees Earned or Paid in Cash $	Stock Awards $	Option Awards $	Non-Equity Incentive Plan Compensation $	Change in Pension Value and Nonqualified Deferred Compensation Earnings $	All Other Compensation $	Total $
Mikel D. Faulkner	120,000	-	-	-	-	-	120,000
Jorge Montaño	120,000	-	-	-	-	-	120,000
Randel G. Owen	120,000	-	-	-	-	-	120,000

The Company only compensates independent non-employee directors for their services as directors. The compensation paid to Mr. Wessel is shown in the Summary Compensation Table in the Executive Compensation section. Directors are reimbursed for travel and lodging expenses in connection with their attendance at Board of Directors and committee meetings.

REVIEW, APPROVAL, OR RATIFICATION OF TRANSACTIONS WITH RELATED PERSONS

During the fiscal year ended December 31, 2011, the Company had an informal policy for the review of transactions in which the Company was a participant, and in which any of the Company s directors or executive officers, or their immediate family members, had a direct or indirect material interest. While the Company does not have a written policy, pursuant to the Audit Committee Charter, the Audit Committee reviews proposed related party transactions and makes recommendations to the Board of Directors regarding approval or rejection of related party transactions. The Board of Directors reviews the recommendation of the Audit Committee and then approves all related party transactions prior to the Company entering into the transaction. Any such related party transaction is evaluated to determine whether such transaction is for the benefit of the Company and upon terms no less favorable to the Company than if the related party transaction was with an unrelated party. The Company had no transactions, nor are there any currently proposed transactions, in which the Company was or is to be a participant where any director, executive officer or any of their immediate family members had a material direct or indirect interest reportable under applicable SEC rules or that required approval of the Board of Directors under the Company s related party transaction policy.

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter adopted by the Board of Directors. All members of the Audit Committee meet the independence standards and other criteria established by Nasdaq.

The Audit Committee assists the Board of Directors in fulfilling its responsibility to oversee management's implementation of the Company s financial reporting process. Management is responsible for the audited financial statements of the Company and for maintaining effective internal control over financial reporting. In discharging its oversight role, the Audit Committee reviewed and discussed with management and Hein & Associates LLP, the Company's independent registered public accounting firm, the audited financial statements of the Company as of and for the year ended December 31, 2011. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America. The Audit Committee has also reviewed management's report on its assessment of the effectiveness of the Company's internal control over financial reporting as well as the independent auditor's report on the effectiveness of the Company's internal control over financial reporting. Management's Report on Internal Control over Financial Reporting is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

The Audit Committee met privately with Hein & Associates LLP, and discussed issues deemed significant by the auditor, including those required by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, and Statement on Auditing Standards No. 90, Communications with Audit Committees, as amended. In addition, the Audit Committee received from Hein & Associates LLP the written disclosures and the letter required by Independence Standards Board Standard No. 1, and the Audit Committee has discussed with Hein & Associates LLP its independence from the Company and its management. The Audit Committee also considered whether the provision of non-audit services, if any, by Hein & Associates LLP was compatible with maintaining its independence.

Based upon the foregoing review and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements and Management's Report on Internal Control over Financial Reporting referred to above be filed with the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

By the Audit Committee:

Mikel D. Faulkner

Randel G. Owen

Jorge Montaño

The Audit Committee report above does not constitute soliciting material and will not be deemed filed or incorporated by reference into any of the Company s filings under the Securities Act or the Exchange Act except to the extent that the Company specifically incorporates it by reference herein.

OTHER MATTERS

Management is not aware of any other matters to be presented for action at the Annual Meeting. However, if any other matter is properly presented, it is the intention of the persons named in the enclosed form of proxy to vote in accordance with their best judgment on such matter. Neither Delaware law nor the Company's certificate of incorporation or bylaws provides stockholders with dissenters rights in connection with the election of directors.

COST OF SOLICITATION

The Company will bear the costs of the solicitation of proxies from its stockholders. In addition to the use of mail, directors, officers and regular employees of the Company may solicit proxies in person or by telephone or other means of communication. The directors, officers and employees of the Company will not be compensated additionally for the solicitation but may be reimbursed for out-of-pocket expenses in connection with the solicitation. Arrangements are also being made with brokerage houses and any other custodians, nominees and fiduciaries of the forwarding of solicitation material to the beneficial owners of the Company, and the Company will reimburse the brokers, custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses.

STOCKHOLDER PROPOSALS

The Company has not received any stockholder proposals for this Annual Meeting. Proposals by stockholders intended to be presented at next year s Annual Meeting of Stockholders must be received by the Company for inclusion in the Company's proxy statement and form of proxy relating to that meeting no later than January 11, 2013 and the proposal must otherwise comply with Rule 14a-8 promulgated by the SEC pursuant to the Exchange Act. Separate and apart from the requirements of Rule 14a-8 relating to inclusion of a stockholders proposal in the Company s proxy statement, the Company s bylaws require advance notice for a stockholder to bring nominations of directors or any other action before any annual meeting of stockholders. Specifically, Section 3.5 of the Company s bylaws requires notice of nominations of directors or any other action to be received by the Company not less than sixty (60) days nor more than ninety (90) days prior to the date of such annual meeting. Further, the notice must contain the information set forth in Section 3.5 of the Company s bylaws.

By Order of the Board of Directors,

/s/ R. Douglas Orr

Arlington, Texas

R. Douglas Orr

April 18, 2012

Executive Vice President, Chief Financial Officer, Secretary and Treasurer

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by First Cash Financial Services, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

REVOCABLE PROXY

FIRST CASH FINANCIAL SERVICES, INC.

ANNUAL MEETING OF STOCKHOLDERS

June 12, 2012

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF FIRST CASH FINANCIAL SERVICES, INC. THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE CHOICES SPECIFIED BELOW.

The undersigned hereby appoints Rick L. Wessel and R. Douglas Orr the true and lawful attorneys, agents and proxies of the undersigned with full power of substitution for and in the name of the undersigned, to vote all the shares of Common Stock of First Cash Financial Services, Inc. which the undersigned may be entitled to vote at the Annual Meeting of Stockholders of First Cash Financial Services, Inc. to be held at 690 East Lamar Boulevard, Suite 400, Arlington, Texas on Tuesday, June 12, 2012 at 10:00 a.m., and any and all adjournments thereof, with all of the powers which the undersigned would posses if personally present, for the following purposes. This proxy will be voted for the choice specified; however you need not mark any boxes if you wish to vote in accordance with the Board of Directors recommendations.

For

Withhold

For All

To withhold authority to vote for any

All

All

Except

individual nominee(s), mark For All

The Board of Directors recommends that you

Except and write the number(s) of

vote FOR the following:

the nominee(s) on the line below.

1.

Election of Director(s)

[ ]

[ ]

[ ]

Nominee(s):

01

Mr. Rick L. Wessel

The Board of Directors recommends you vote FOR proposal(s) 2 and 3

For

Against

Abstain

2.

Ratification of the selection of Hein & Associates LLP as the independent registered public accounting firm

[ ]

[ ]

[ ]

of the Company for the year ending December 31, 2012.

3.

Approve, by non-binding vote, the compensation of named executive officers as described in the proxy statement.

[ ]

[ ]

[ ]

NOTE: Other Matters: In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting including adjournment.

Dated:________________

____

____

(Signature)

(Signature if jointly held)

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.