

HALCON RESOURCES CORP
Form PRE 14A
March 19, 2015

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- 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

Halcón Resources Corporation

(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):

- 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:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Edgar Filing: HALCON RESOURCES CORP - Form PRE 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o 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:

Table of Contents

Halcón Resources Corporation

**1000 Louisiana St., Suite 6700
Houston, Texas 77002
Telephone (832) 538-0300**

Annual meeting of stockholders to be held on May 6, 2015

March , 2015

Dear Stockholder:

You are cordially invited to attend Halcón Resources Corporation's 2015 annual meeting of stockholders on Wednesday, May 6, 2015, at 11:00 a.m., Central Daylight Time, to be held at the Wells Fargo Plaza Auditorium, 1000 Louisiana St., Houston, Texas 77002.

The attached notice of annual meeting and the proxy statement describe the matters to be acted upon during the annual meeting. In addition, there will be a report on the state of Halcón's business and an opportunity for you to ask questions of Halcón's management.

You may vote your shares by Internet or by telephone using the instructions on the proxy card, or by completing, signing, dating and returning the proxy card, or by voting your shares in person at the meeting. The proxy card describes your voting options in more detail. If you need assistance, please contact Scott Zuehlke, Vice President, Investor Relations, at (832) 538-0314. Our annual report on Form 10-K, as amended by the Form 10-K/A, for the fiscal year ended December 31, 2014, accompanies the proxy materials.

The annual meeting gives us an opportunity to review Halcón's results and discuss the steps Halcón has taken to position itself for the future. We appreciate your ownership of Halcón common stock, and I hope you will be able to join us at the annual meeting.

Sincerely,

Floyd C. Wilson
*Chairman of the Board of Directors
and Chief Executive Officer*

Table of Contents

Halcón Resources Corporation

**1000 Louisiana St., Suite 6700
Houston, Texas 77002
Telephone (832) 538-0300**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 6, 2015**

Notice is hereby given that the annual meeting of stockholders of Halcón Resources Corporation will be held on Wednesday, May 6, 2015 at 11:00 a.m., Central Daylight Time, at the Wells Fargo Plaza Auditorium, 1000 Louisiana St., Houston, Texas 77002, for the following purposes:

1. To elect three directors to our board of directors to serve as Class B directors to serve until the 2018 meeting of stockholders in accordance with our bylaws, or to serve until the 2016 annual meeting of stockholders upon approval of Proposal No. 5;
2. To approve an amendment to our Amended and Restated Certificate of Incorporation to effect a one-for-five (1:5) reverse stock split of our common stock;
3. To ratify and approve an amendment to our First Amended and Restated 2012 Long-Term Incentive Plan to increase the number of shares of Halcón common stock that may be issued under the Plan by 40 million shares, subject to adjustment in accordance with the terms of the Plan upon approval of Proposal No. 2;
4. To approve, in accordance with Section 312.03 of the NYSE Listed Company Manual, the issuance of additional shares of Halcón common stock to HALRES LLC upon conversion of our 8.0% senior convertible note and exercise of the warrants in connection with an amendment to extend the maturity thereof;
5. To approve the declassification of our board of directors and provide for an annual election of directors;
6. To ratify the appointment of Deloitte & Touche LLP, an independent registered public accounting firm, as our independent registered public accountant for the fiscal year ending December 31, 2015; and
7. To transact such other business as may properly come before the annual meeting or any adjournment thereof.

Edgar Filing: HALCON RESOURCES CORP - Form PRE 14A

The board of directors has approved the close of business on March 17, 2015, as the record date for determining the stockholders of Halcón entitled to notice of, and to vote at, the annual meeting and any adjournment or postponement thereof. Only stockholders of record at the close of business on the record date are entitled to notice of, and to vote at, the meeting. A complete list of our stockholders entitled to vote at the meeting will be available for examination at our offices in Houston, Texas during ordinary business hours for a period of ten (10) days prior to the annual meeting.

Table of Contents

All stockholders are cordially invited to attend the meeting. You may vote your shares by Internet or by telephone using the instructions on the proxy card, or by completing, signing, dating and returning the proxy card, or by voting your shares in person at the meeting. If you attend the meeting, and if you so choose, you may withdraw your proxy and vote in person. If your shares are held in "street name" by your broker or other nominee, only that holder can vote your shares and the vote cannot be cast for any proposal, except for the ratification of our independent registered public accounting firm, unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Please review the proxy statement accompanying this notice for more complete information regarding the matters to be voted on at the meeting. You may revoke your proxy at any time before it is voted.

By order of the Board of Directors of
Halcón Resources Corporation:

Floyd C. Wilson
*Chairman of the Board of Directors
and Chief Executive Officer*

March , 2015

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR
THE 2015 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 6, 2015**

Halcón's Proxy Statement for the 2015 Annual Meeting of Stockholders and the Company's Annual Report on Form 10-K, as amended by the Form 10-K/A, for the fiscal year ended December 31, 2014 are available at <http://investors.halconresources.com/annual-proxy.cfm>.

Table of Contents

TABLE OF CONTENTS

<u>GENERAL INFORMATION</u>	<u>1</u>
<i><u>Voting and Revocation of Proxies</u></i>	<u>1</u>
<u>OUR BOARD OF DIRECTORS AND ITS COMMITTEES</u>	<u>4</u>
<i><u>The Board of Directors</u></i>	<u>4</u>
<i><u>Meetings of Our Board of Directors and Committees of the Board</u></i>	<u>8</u>
<i><u>Corporate Governance Matters</u></i>	<u>11</u>
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	<u>17</u>
<u>RELATED PARTY TRANSACTION REVIEW POLICIES AND PROCEDURES</u>	<u>18</u>
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	<u>18</u>
<u>MANAGEMENT</u>	<u>19</u>
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	<u>21</u>
<u>EXECUTIVE COMPENSATION</u>	<u>24</u>
<i><u>Compensation Discussion and Analysis</u></i>	<u>24</u>
<i><u>Summary Compensation Table</u></i>	<u>43</u>
<i><u>Grants of Plan-Based Awards in 2014</u></i>	<u>44</u>
<i><u>Outstanding Equity Awards at December 31, 2014</u></i>	<u>45</u>
<i><u>Long-Term Incentive Awards Subsequent to Fiscal Year End</u></i>	<u>46</u>
<i><u>Option Exercises and Stock Vested</u></i>	<u>46</u>
<i><u>Equity Compensation Plan Information</u></i>	<u>47</u>
<i><u>Stock Ownership Policy</u></i>	<u>47</u>
<u>DIRECTOR COMPENSATION</u>	<u>48</u>
<i><u>2014 Director Compensation</u></i>	<u>48</u>
<i><u>2015 Director Compensation</u></i>	<u>48</u>
<i><u>Discussion of Director Compensation Table</u></i>	<u>49</u>
<i><u>First Amended and Restated 2012 Long-Term Incentive Plan</u></i>	<u>49</u>
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	<u>49</u>
<u>COMPENSATION COMMITTEE REPORT</u>	<u>50</u>
<u>ACCOUNTANTS AND AUDIT COMMITTEE</u>	<u>51</u>
<i><u>Audit Committee Report</u></i>	<u>51</u>
<i><u>Independent Registered Public Accounting Firm</u></i>	<u>52</u>
<i><u>Attendance at the Annual Meeting by Deloitte Representative</u></i>	<u>52</u>
<i><u>Fees</u></i>	<u>52</u>
<i><u>Audit Committee Pre-Approval Policy</u></i>	<u>52</u>
<u>PROPOSALS FOR CONSIDERATION AT THE ANNUAL MEETING OF STOCKHOLDERS</u>	<u>53</u>
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	<u>53</u>
<u>PROPOSAL 2 APPROVAL OF AMENDMENT TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A ONE-FOR-FIVE (1:5) REVERSE STOCK SPLIT OF OUR COMMON STOCK</u>	<u>54</u>
<u>PROPOSAL 3 APPROVAL OF AMENDMENT TO OUR FIRST AMENDED AND RESTATED 2012 LONG-TERM INCENTIVE PLAN</u>	<u>59</u>
<u>PROPOSAL 4 APPROVAL OF, IN ACCORDANCE WITH SECTION 312.03 OF THE NYSE LISTED COMPANY MANUAL, THE ISSUANCE OF ADDITIONAL SHARES OF HALCÓN COMMON STOCK TO HALRES LLC UPON CONVERSION OF OUR 8.0% SENIOR CONVERTIBLE NOTE AND EXERCISE OF THE WARRANTS</u>	<u>70</u>
<u>PROPOSAL 5 APPROVAL TO DECLASSIFY OUR BOARD OF DIRECTORS AND PROVIDE FOR AN ANNUAL ELECTION OF DIRECTORS</u>	<u>73</u>
<u>PROPOSAL 6 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANT SUBMISSION OF STOCKHOLDER PROPOSALS FOR OUR 2016 ANNUAL MEETING OF STOCKHOLDERS</u>	<u>75</u>
<u>OTHER MATTERS</u>	<u>76</u>

Table of Contents

Halcón Resources Corporation

**1000 Louisiana St., Suite 6700
Houston, Texas 77002
Telephone (832) 538-0300**

**PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 6, 2015**

GENERAL INFORMATION

These proxy materials are furnished to you in connection with the solicitation of proxies by the board of directors of Halcón Resources Corporation, a Delaware corporation (referred to in this proxy statement as Halcón, the Company, we, us, or our), for the annual meeting of our stockholders to be held on Wednesday, May 6, 2015 at 11:00 a.m., Central Daylight Time, at the Wells Fargo Plaza Auditorium, 1000 Louisiana St., Houston, Texas 77002. The proxies also may be voted at any adjournments or postponements of the annual meeting.

Voting and Revocation of Proxies

If you provide specific voting instructions, your shares will be voted as you instruct. Whether you hold shares directly as a stockholder of record, or beneficially in street name, you may direct how your shares are voted at the annual meeting. If you are a stockholder of record, you may vote by submitting a proxy or by voting in person at the annual meeting, and if you hold your shares in street name, you may vote by submitting voting instructions to your broker or trustee or nominee. You may cast your vote by proxy as follows:

By Internet you may vote using the Internet at www.proxyvote.com. Simply follow the instructions on the proxy card;

By telephone you may vote by calling 1-800-690-6903 and follow the voice prompts; or

By mailing the proxy card you may vote by completing, signing, dating and mailing the enclosed proxy card in the enclosed pre-addressed postage-paid envelope.

Unless you otherwise direct in your proxy, the individuals named in the proxy card will vote the shares represented by such proxy in accordance with the recommendations of our board of directors unless otherwise indicated. If you hold your shares in street name, please refer to the proxy card forwarded by your bank, broker, or other nominee to see which voting options are available to you and for directions on how to vote. If you vote by Internet or by telephone, you need not return your proxy

Table of Contents

card. Proxies granted by telephone or over the Internet, in accordance with the procedures set forth on the proxy card, will be valid under Delaware law.

If you sign the proxy card of your broker, trustee or other nominee but do not provide voting instructions, your shares will not be voted unless your broker, trustee or other nominee has discretionary authority to vote. When a broker, trustee, or other nominee holding shares for a beneficial owner is unable to vote on a particular proposal because the broker does not have discretionary authority to vote in the absence of timely instructions from the beneficial owner, this is referred to as a "broker non-vote." **Out of the six proposals that will be brought to a vote at our annual meeting, brokers will have discretionary voting authority only with respect to the ratification of the appointment of our independent registered public accountant. It is therefore very important that you indicate on the proxy card of your broker how you want your shares to be voted in the election of the three director nominees named in this proxy statement each of the other proposals to be voted upon at our annual meeting.**

The board of directors is not aware of any business to be brought before the annual meeting other than as indicated in the notice of annual meeting of stockholders. If any other matter does come before the meeting, the persons named in the proxy card will vote the shares represented by the proxy in his or her best judgment.

Revocation of Proxy. A proxy may be revoked by a stockholder at any time prior to it being voted by:

delivering a revised proxy (by one of the methods described above) bearing a later date;

voting in person at the annual meeting; or

notifying our Corporate Secretary of the revocation in writing at our address set forth above in time to be received before the annual meeting.

Attendance at the meeting alone will not effectively revoke a previously executed and delivered proxy. If a proxy is properly executed and is not revoked by the stockholder, the shares it represents will be voted at the meeting in accordance with the instructions from the stockholder. If the proxy card is signed and returned without specifying choices, the shares will be voted in accordance with the recommendations of our board of directors.

If your shares are held in an account at a broker or other nominee, you should contact your broker or other nominee to change your vote.

Record Date and Vote Required for Approval. The record date with respect to this solicitation is March 17, 2015. All holders of record of our common stock as of the close of business on March 17, 2015 are entitled to vote at the annual meeting and any adjournment or postponement thereof for which a new record date has not been established. As of March 17, 2015, we had 431,357,746 shares of common stock outstanding. Each share of common stock is entitled to one vote. Our stockholders do not have cumulative voting rights. In accordance with our bylaws, the holders of a majority of the outstanding shares of our common stock entitled to vote, represented in person or by proxy, shall constitute a quorum at the annual meeting. If a quorum is not present at the annual meeting, a vote for adjournment will be taken among the stockholders present or represented by proxy. If a majority of the stockholders present or represented by proxy vote for adjournment, it is our intention to adjourn the meeting until a later date and to vote proxies received at such adjourned meeting. The place and date to which the annual meeting would be adjourned would be announced at the meeting, but would in no event be expected to be more than 30 days after the date of the annual meeting.

Assuming that a quorum is present, the affirmative vote of a plurality of the votes cast is required for the election of directors at the annual meeting. This means that the director nominees receiving the

Table of Contents

most affirmative votes are elected for the available board positions. Any shares not voted (whether by withholding the vote, broker non-vote or otherwise) have no impact in the election of directors.

The vote to approve the amendments to our amended and restated certificate of incorporation to effect a one-for-five (1:5) reverse stock split of our common stock and the declassification of our board of directors will require the affirmative vote of holders of a majority of the outstanding shares of our common stock. Abstentions and broker non-votes will have the same effect as a vote "against" Proposal No. 2 and Proposal No. 5.

Approval of the proposed amendment to our First Amended and Restated 2012 Long-Term Incentive Plan requires the affirmative vote of the majority of votes cast for such proposal, provided that the total votes cast represent a majority of all shares entitled to vote. An affirmative vote of the majority of votes cast for such proposal will be achieved if votes "for" represent a majority of the aggregate number of votes "for," "against" and "abstain." Total votes cast will represent a majority of all shares entitled to vote if the aggregate number of votes "for," "against" and "abstain" represent a majority of our outstanding shares of common stock.

Pursuant to Section 312.07 of the NYSE Listed Company Manual, approval of Proposal No. 4 requires the affirmative vote of the holders of our common stock representing a majority of the votes cast at the annual meeting, provided that the total votes cast on the proposal represent over 50% of all outstanding securities entitled to vote to approve each of the proposals. Abstentions will be treated as "votes cast" for purposes of determining whether the total votes cast on Proposal No. 4 represents over 50% in interest of all securities entitled to vote on each proposal as required by Section 312.07 of the NYSE Listed Company Manual. Accordingly, an abstention will have the same effect as a vote "against" Proposal No. 4 for purposes of determining whether Proposal No. 4 has been approved by a majority of votes cast on such proposal. A broker non-vote will not count as a "vote cast" for purposes of determining whether Proposal No. 4 has been approved by a majority of votes cast on such proposal and, assuming that the total votes cast on Proposal No. 4 represents over 50% in interest of all securities entitled to vote, broker non-votes will have no effect on the outcome of the vote on Proposal No. 4.

Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accountant requires the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the meeting and entitled to vote on this matter.

Proxy Solicitation. We will bear all costs relating to the solicitation of proxies. We have retained Okapi Partners LLC to aid in the solicitation of proxies, at an estimated cost of \$8,000 plus reimbursement of out-of-pocket expenses, custodial charges in connection with payment by Okapi Partners of charges of brokers and banks on our behalf, and additional charges which may be incurred in connection with the solicitation of proxies by telephone. Proxies may also be solicited by officers, directors and employees personally, by mail, or by telephone, facsimile transmission or other electronic means. On request, we will pay brokers and other persons holding shares of stock in their names or in those of their nominees, which in each case are beneficially owned by others, for their reasonable expenses in sending soliciting material to, and seeking instructions from, their principals.

Submission of Stockholder Proposals. The deadline for submitting stockholder proposals for inclusion in our 2016 proxy statement and form of proxy for our annual meeting in 2016 is December 1, 2015. See "*Submission of Stockholder Proposals for Our 2016 Annual Meeting of Stockholders*" below for additional information.

We will provide to any stockholder, without charge and upon written request, a copy (without exhibits, unless otherwise requested) of our annual report on Form 10-K, as amended by the Form 10-K/A, as filed with the SEC for our fiscal year ended December 31, 2014. Any such request should be directed to Scott Zuehlke, Vice President, Investor Relations at 1000 Louisiana St., Suite 6700, Houston, Texas 77002, telephone number: (832) 538-0314. The annual report to the

Table of Contents

stockholders on Form 10-K for the fiscal year ended December 31, 2014, as amended by the Form 10-K/A, accompanying this proxy statement is not part of the proxy solicitation materials.

OUR BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors

Our business and affairs are managed under the direction of our board of directors, or board. Our bylaws specify that we shall not have less than one nor more than fifteen directors, and our board currently has ten members. Under our bylaws, each director holds office until the annual stockholders' meeting at which such director's class stands for re-election and until the director's successor is duly elected and qualified, or until such director's earlier death, resignation or removal. Our certificate of incorporation provides that our board of directors is classified into three classes: Class A, Class B and Class C, with the number of directors in each class being as nearly equal as possible, and each class having a three-year term of office. Our board of directors is recommending that stockholders approve the declassification of our board of directors. See "*Proposal 5 Approval to declassify our board of directors and provide for an annual election of directors.*" If approved by our stockholders, the directors elected at the 2015 annual meeting and at each subsequent meeting thereafter will be elected for one-year terms resulting in the entire board of directors being elected annually beginning with the 2016 annual meeting of stockholders. If the proposal is not approved by stockholders, the directors elected in 2015 and thereafter will continue to be elected for three-year staggered terms.

On February 8, 2012, HALRES LLC (formerly Halcón Resources, LLC), a newly-formed limited liability company led by Floyd C. Wilson, recapitalized us with a \$550.0 million investment. We refer to this transaction as the "Recapitalization."

In connection with the closing of the Recapitalization, Floyd C. Wilson, Tucker S. Bridwell, James W. Christmas, Thomas R. Fuller, James L. Irish III, E. Murphy Markham IV, David B. Miller, Daniel A. Rioux, Stephen P. Smiley and Mark A. Welsh IV, were appointed as directors. In August 2012, Michael A. Vasic was appointed to our board of directors. In December 2012, Mr. Markham resigned from our board of directors and Kevin E. Godwin and David S. Hunt were appointed to our board of directors. In January 2015, Messrs. Irish and Smiley resigned from our board of directors. In March 2015, Mr. Hunt, a Class B director, informed the board of directors that he will serve out his term but not stand for re-election at the 2015 annual meeting of stockholders. Mr. Hunt's decision not to stand for re-election is not related to any disagreement with management or the board of directors.

Also in connection with the closing of the Recapitalization, our newly appointed board of directors appointed Floyd C. Wilson as Chairman of the Board, Chief Executive Officer and President and Mark J. Mize as Executive Vice President, Chief Financial Officer and Treasurer. In the months that followed, our board of directors appointed several additional executive officers, including Stephen W. Herod as our new President, and other members of senior management.

As discussed more fully under "*Proposal 1 Election of Directors,*" three of our current directors, Tucker S. Bridwell, Kevin E. Godwin and Mark A. Welsh IV, have been nominated for re-election at the 2015 annual meeting because of the expiration of the term of their class, Class B, on our board of directors. If Messrs. Bridwell, Godwin and Welsh receive a majority of votes cast in favor of his continued service on the board of directors, and Proposal No. 5 is approved by our stockholders, each will serve a one-year term expiring in 2016; however, if Proposal No. 5 is not approved, each will serve a three-year term expiring in 2018.

Table of Contents

The following table sets forth the names and ages of all current directors, the positions and offices with us held by such persons, the years in which their current terms as directors expire and the length of their continuous service as a director:

Name	Director Since	Age	Position	Expiration of Term
Floyd C. Wilson	Feb. 2012	68	Chairman of the Board and Chief Executive Officer	2016
Tucker S. Bridwell	Feb. 2012	63	Director	2015
James W. Christmas	Feb. 2012	66	Lead Director	2017
Thomas R. Fuller	Feb. 2012	67	Director	2017
Kevin E. Godwin	Dec. 2012	48	Director	2015
David S. Hunt	Dec. 2012	52	Director	2015
David B. Miller.	Feb. 2012	65	Director	2017
Daniel A. Rioux	Feb. 2012	46	Director	2016
Michael A. Vlasic	Aug. 2012	54	Director	2016
Mark A. Welsh IV	Feb. 2012	35	Director	2015

Floyd C. Wilson became our Chairman and Chief Executive Officer in February 2012 as a result of the Recapitalization. Prior to February 2012, he was President of HALRES LLC, an oil and natural gas company that he founded in October 2011. Mr. Wilson served as Chairman of the Board and Chief Executive Officer of Petrohawk Energy Corporation from May 25, 2004 until BHP Billiton acquired Petrohawk for \$15.1 billion, including assumed debt, in August 2011. Mr. Wilson also served as President of Petrohawk from May 25, 2004 until September 8, 2009. Prior to May 25, 2004, he was President and Chief Executive Officer of PHAWK, LLC which he founded in June 2003. Mr. Wilson was the Chairman and Chief Executive Officer of 3TEC Energy Corporation from August 1999 until its merger with Plains Exploration & Production Company in June 2003. Mr. Wilson founded W/E Energy Company L.L.C., formerly known as 3TEC Energy Company L.L.C. in 1998 and served as its President until August 1999. Mr. Wilson began his career in the energy business in Houston, Texas in 1970 as a completion engineer. He moved to Wichita, Kansas in 1976 to start an oil and gas operating company, one of several private energy ventures which preceded the formation of Hugoton Energy Corporation in 1987, where he served as Chairman, President and Chief Executive Officer. In 1994, Hugoton completed an initial public offering and was merged into Chesapeake Energy Corporation in 1998.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Wilson's contributions to the board, determined that his role as the Company's Chief Executive Officer, his experience in the energy industry and his many years of service as a director and chief executive officer of oil and natural gas exploration and production companies provide significant contributions to the Company's board of directors.

Tucker S. Bridwell became a director in February 2012 as a result of the Recapitalization. Mr. Bridwell served as a director of Petrohawk Energy Corporation from May 2004 until December 2010. Mr. Bridwell has been the President of Mansefeldt Investment Corporation and the Dian Graves Owen Foundation since September 1997 and manages investments in both entities. He has been in the energy business in various capacities for over 27 years, focusing on oil and gas private equity and public oil and gas investments with extensive experience in managing both public and private energy companies. Mr. Bridwell is a Certified Public Accountant and has practiced public accountancy, specializing in oil and gas. He earned a Bachelor of Business Administration degree and a Master of Business Administration degree from Southern Methodist University. He has also served on the audit committees of numerous businesses, including Petrohawk and non-profit organizations. Currently, he serves on the board of directors of Concho Resources, Inc. and First Financial Bankshares, Inc. He is also Lead Director and Chairman of the Nominating and Corporate Governance Committee of First Financial Bankshares, Inc. Mr. Bridwell previously served as Chairman of First Permian, LLC from 2000 until its sale to Energen Corporation in April 2002.

Table of Contents

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Bridwell's contributions to the board, determined that his experience in accounting, investing and management provide significant contributions to the Company's board of directors.

James W. Christmas became a director in February 2012 as a result of the Recapitalization. Mr. Christmas began serving as a director of Petrohawk Energy Corporation on July 12, 2006, effective upon the merger of KCS Energy, Inc. ("KCS") into Petrohawk. He continued to serve as a director, and as Vice Chairman of the Board of Directors, for Petrohawk until BHP Billiton acquired all of Petrohawk in August 2011. He also served on the Audit Committee and the Nominating and Corporate Governance Committee. Mr. Christmas served as a member of the Board of Directors of Petrohawk, a wholly-owned subsidiary of BHP Billiton, and as chair of the Financial Reporting Committee of such board until September 2014. Mr. Christmas serves as a director of Rice Energy, as chairman of its audit committee and a member of its compensation and nominating and corporate governance committees, and as a director and member of the audit committee and compensation committee of Yuma Energy. He also serves on the Advisory Board of the Tobin School of Business of St. John's University. He served as President and Chief Executive Officer of KCS from 1988 until April 2003 and Chairman of the Board and Chief Executive Officer of KCS until its merger into Petrohawk. Mr. Christmas was a Certified Public Accountant in New York and was with Arthur Andersen & Co. from 1970 until 1978 before leaving to join National Utilities & Industries ("NUI"), a diversified energy company, as Vice President and Controller. He remained with NUI until 1988, when NUI spun out its unregulated activities that ultimately became part of KCS. As an auditor and audit manager, controller and in his role as CEO of KCS, Mr. Christmas was directly or indirectly responsible for financial reporting and compliance with SEC regulations, and as such has extensive experience in reviewing and evaluating financial reports, as well as in evaluating executive and board performance and in recruiting directors.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Christmas's contributions to the board, determined that his prior experience as an executive and director and his past audit, accounting and financial reporting experience provide significant contributions to the Company's board of directors.

Thomas R. Fuller became a director in February 2012 as a result of the Recapitalization. Mr. Fuller served as a director at Petrohawk Energy Corporation from March 6, 2006 until BHP Billiton acquired Petrohawk in August 2011. Mr. Fuller served on Petrohawk's Reserves Committee and was the Chairman of the Nominating and Corporate Governance Committee. Since December 1988, Mr. Fuller has been a principal of Diverse Energy Management Co. (or related "Diverse" companies), a private upstream acquisition, drilling and production company which also invests in other energy-related companies. Mr. Fuller has earned degrees from the University of Wyoming and the Louisiana State University School of Banking of the South and is a Registered Professional Engineer in Texas. He has 48 years of experience as a petroleum engineer, specializing in economic and reserves evaluation. He has served as an employee, officer, partner or director of various companies, including ExxonMobil, First City National Bank, Hillin Oil Co., Diverse Energy Management Co. and Rimco Royalty Partners. Mr. Fuller has served on the Board of Directors of Azure Midstream Energy, LLC, a privately held company, since November 2013. On February 27, 2015, Mr. Fuller became a director of Marlin Midstream GP, LLC. Mr. Fuller also has extensive experience in energy-related merger and acquisition transactions, having generated and closed over 90 producing property acquisitions during his career. As a primary lending officer to many independent energy companies, Mr. Fuller has extensive experience in analyzing and evaluating financial, business and operational strategies for energy companies.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Fuller's contributions to the board, determined that his petroleum engineering and energy-related acquisitions and analytical experience provide significant contributions to the Company's board of directors.

Table of Contents

Kevin E. Godwin became a director in December 2012 in connection with the closing of the private placement of common stock to Canada Pension Plan Investment Board. Mr. Godwin currently serves as a Senior Portfolio Manager of Canada Pension Plan Investment Board in its Relationship Investments group, a position he has held since 2008. From 2005 to 2008, Mr. Godwin served as a Principal of Birch Hill Equity Partners L.P. From 1995 to 2005, he worked at TD Securities then TD Capital Group Limited, ultimately serving as Vice President and Director. Mr. Godwin began his professional career in 1989 with ICI Explosives then Stuart Energy serving as a Project Engineer. Mr. Godwin is a graduate of Queen's University (Kingston, Ontario), having received a Bachelor's Degree in Applied Science (Mechanical Engineering) in 1989. He also received a Masters Degree in Business Administration in 1995 from the Richard Ivey School of Business, University of Western Ontario. In 2012, Mr. Godwin received the ICD.D designation from the Institute of Corporate Directors. Mr. Godwin has served on the board of directors of several private companies.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Godwin's contributions to the board, determined that his background in finance and investment provide significant contributions to the Company's board of directors.

David S. Hunt became a director in December 2012 in connection with the closing of the acquisition of the Williston Basin Assets. Mr. Hunt has been a member of the Reserves Committee since April 2013. Mr. Hunt has informed the board of directors that he will not stand for re-election upon expiration of his current term at the 2015 annual meeting of stockholders.

David B. Miller became a director in February 2012 as a result of the Recapitalization. Mr. Miller currently serves as a Managing Partner of EnCap Investments L.P. From 1988 to 1996, Mr. Miller served as President of PMC Reserve Acquisition Company, a partnership jointly-owned by EnCap and Pitts Energy Group. Prior to the establishment of EnCap, he served as Co-Chief Executive Officer of MAZE Exploration Inc., a Denver-based oil and gas company he co-founded in 1981. Mr. Miller began his professional career with Republic National Bank of Dallas, ultimately serving as Vice President and Manager of the bank's wholly-owned subsidiary, Republic Energy Finance Corporation. Mr. Miller is a graduate of Southern Methodist University, having received Bachelors and Masters Degrees in Business Administration in 1972 and 1973, respectively. He serves on the Board of Trustees at Southern Methodist University and also is a member of the Executive Board of the Edwin L. Cox School of Business. Mr. Miller is a recipient of Distinguished Alumnus Awards from both Southern Methodist University and the Cox School. In 2004, Mr. Miller was appointed to the National Petroleum Council, an advisory body to the Secretary of Energy, and he is a member of the Board of Advisors of the Maguire Energy Institute. Additionally, he is a member of the Independent Petroleum Association of America, the Texas Independent Producers and Royalty Owners Association, the Independent Petroleum Association of Mountain States and the Dallas Wildcat Committee. Mr. Miller currently serves on the board of directors of several EnCap portfolio companies.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Miller's contributions to the board, determined that his experience in upstream and midstream energy investments and energy-related acquisitions and financing provides significant contributions to the Company's board of directors.

Daniel A. Rioux became a director in February 2012 as a result of the Recapitalization. Mr. Rioux is a Founder and Managing Partner of Old Ironsides Energy, LLC, an oil and gas investment firm that manages a multi-billion dollar portfolio. From April 2009 to August 2013, Mr. Rioux was Co-President and Chief Executive Officer of Liberty Energy Holdings, LLC. From 2001 to 2008, Mr. Rioux served as Vice President of Liberty Energy Holdings, LLC, where he had responsibility for all of the company's investment and management decisions. From 1993 until 2000, Mr. Rioux was employed by Liberty Energy Corporation, a subsidiary of Liberty Energy Holdings, LLC. Mr. Rioux currently serves as a director of Vermilion Cliffs Partners, a Fort Worth, Texas-based exploration and production company,

Table of Contents

and Axia Energy, LLC, a Denver-based exploration and production company, as well as a manager of Wildcat Midstream Holdings LLC, a company focused on the development, acquisition and operation of gas gathering and midstream oil and gas assets. Mr. Rioux previously served as a Director of Petrohawk Energy Corporation from 2004 to 2006 and as a director of Energy Transfer Equity from 2002 to 2006. He also served as a director of the Independent Petroleum Association of America from 2003 to 2011. Mr. Rioux holds a B.S. in Finance from Bryant College and an M.B.A from Babson College.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Rioux's contributions to the board, determined that his experience in energy banking, finance and service as a director of energy companies provide a significant contribution to the Company's board of directors.

Michael A. Vlastic became a director in August 2012 as a result of the GeoResources Merger. Immediately prior to his election to the Company's board of directors, Mr. Vlastic had served on the board of directors of GeoResources, Inc. since April 2007. He also served on the board of managers of Southern Bay Energy, LLC from its inception in 2004 until it was acquired by GeoResources in April 2007. He previously was a Director of Texoil, Inc., a company with a class of equity securities registered under the Exchange Act, where he served on its executive committee from 1997 until its sale to Ocean Energy Inc. in 2001. From July 1989 to December 2013 he served as Chief Executive Manager of Vlastic Investments L.L.C. In January 2014 he founded a private investment company, NBT Investments LLC. He is the founder and a Director of MAV Development Company. Mr. Vlastic has served in various executive positions, including CFO and President, of private companies in a variety of industries; including automobile and truck fleet leasing, computer equipment leasing and services, oil and gas exploration and production, aircraft maintenance, management and leasing, and real estate development and construction. He has served on the investment committee of venture capital, private equity and direct lending investment funds. Mr. Vlastic serves on the board of Bessemer Trust Company and some of its affiliates. He also serves on the investment committee of HV Capital Investors. He is a 1982 graduate of Brown University and holds an MBA from the University of Michigan.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Vlastic's contributions to the board, determined that his industry experience and his previous board experience provide significant contributions to the Company's board of directors.

Mark A. Welsh IV became a director in February 2012 as a result of the Recapitalization. Mr. Welsh currently serves as a Managing Director of EnCap Investments L.P. Mr. Welsh has 13 years of experience in private equity, including nine years with EnCap. Prior to joining EnCap, Mr. Welsh served as a financial analyst with The Blackstone Group L.P. and as a Vice President with Adam Corporation. Mr. Welsh serves on the board of directors of several EnCap portfolio companies. Mr. Welsh received a Bachelor of Business Administration degree in Finance from Texas A&M University, where he was recognized with the Brown-Rudder Award as the outstanding graduate in his class.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Welsh's contributions to the board, determined that his experience in upstream and midstream energy investments and energy-related acquisitions and financing provides significant contributions to the Company's board of directors.

Meetings of Our Board of Directors and Committees of the Board

Our board of directors has the responsibility for establishing our broad corporate policies and for our overall performance. However, the board of directors is not involved in our day-to-day operations. The board of directors is kept informed of our business through discussions with our Chairman and Chief Executive Officer, Executive Vice President, Corporate Affairs and other officers, by reviewing analyses and reports provided to it on a regular basis, and by participating in board of directors and

Table of Contents

committee meetings. Our board of directors held six (6) meetings during 2014, including telephonic meetings, and acted by unanimous written consent six (6) times, and all directors attended at least 75% of the total meetings of the board of directors and the committees on which such director served during the fiscal year.

Our board of directors currently has four standing committees: Audit, Compensation, Nominating and Corporate Governance, and Reserves. Actions taken by our committees are reported to the full board of directors. Each committee conducts an annual evaluation of its duties and is expected to conduct an annual review of its charter. Each committee has authority to retain, set the compensation for, and terminate consultants, outside counsel and other advisers as that committee determines to be appropriate. As discussed in more detail below, the composition of the Audit, Compensation, Nominating and Corporate Governance, and Reserves committees changed following the January 2015 resignations of Messrs. Irish and Smiley.

Audit Committee. The members of our Audit Committee are James W. Christmas, Kevin E. Godwin and Mark A. Welsh IV, with Mr. Christmas serving as the chairman. Messrs. Irish and Smiley also served on the Audit Committee prior to their resignation from our board of directors in January 2015, with Mr. Irish serving as the chairman until January 2015. Our board of directors has determined that all members of our audit committee are financially literate within the meaning of SEC rules, under the current listing standards of the NYSE and in accordance with our audit committee charter. Our board of directors has also determined that all members of the audit committee are independent, within the meaning of SEC and NYSE regulations for independence for audit committee members, under our corporate governance guidelines, and in accordance with our audit committee charter. The board of directors has also determined that Mr. Christmas is an "audit committee financial expert" (as defined in the SEC rules) because he has the following attributes: (i) an understanding of generally accepted accounting principles in the United States of America and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements; (iv) an understanding of internal control over financial reporting; and (v) an understanding of audit committee functions. Mr. Christmas has acquired these attributes by his educational background and by having held various positions that provided relevant experience, as described in his biographical information under "*Our Board of Directors and Its Committees The Board of Directors*" above.

The Audit Committee is responsible for oversight of Company risks relating to accounting matters, financial reporting and related legal and regulatory compliance. The Audit Committee annually considers the qualifications and evaluates the performance of our independent auditor and selects and engages our independent auditor. The Audit Committee meets quarterly with representatives of the independent auditor and is available to meet at the request of the independent auditor. During these meetings, the Audit Committee receives reports regarding our books of accounts, accounting procedures, financial statements, audit policies and procedures, internal accounting and financial controls, and other matters within the scope of the Audit Committee's duties. The Audit Committee reviews the plans for and the results of audits for us and our subsidiaries. The Audit Committee reviews the independence of the independent auditor, and considers and authorizes the fees for both audit and non-audit services provided by the independent auditor. In 2014, our Audit Committee held five meetings, including telephonic meetings.

The written charter adopted by our Audit Committee is available on our website at www.halconresources.com.

Compensation Committee. The members of our Compensation Committee are Tucker S. Bridwell, Daniel A. Rioux, Michael A. Vlastic and Mark A. Welsh IV, with Mr. Vlastic serving as the

Table of Contents

chairman. Mr. Smiley also served on the Compensation Committee prior to his resignation from our board of directors in January 2015 and also served as the chairman until November 2014. Our board of directors has determined that each member of the Compensation Committee meets the NYSE standards for independence, and is a "Non-Employee Director" as defined in Rule 16b-3 under the Exchange Act and an "outside director" as defined for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Compensation Committee is entrusted with the overall responsibility for establishing, implementing and monitoring the compensation for our executive officers (our chief executive officer, president, each executive vice president, and each senior vice president). The Compensation Committee also administers our First Amended and Restated 2012 Long-Term Incentive Plan, or Plan, and approves restricted stock awards, SAR awards and other stock-based grants for our executive officers. In 2014, our Compensation Committee held eleven meetings, including telephonic meetings, and acted by unanimous written consent one time.

Our Compensation Committee engaged Longnecker & Associates, Inc. ("Longnecker"), an outside independent compensation consulting firm, to assist the board of directors and the Compensation Committee in crafting our total compensation program for our executive officers for 2014 and to assist the board of directors in determining compensation for our non-employee directors. In connection with its engagement, Longnecker was tasked with, among other things, making recommendations to the Compensation Committee regarding an appropriate compensation peer group, assisting the Compensation Committee in establishing a competitive executive compensation program and making recommendations and providing analysis regarding the compensation of our executive officers, including the named executive officers, discussed below under the heading "*Executive Compensation*."

On February 25, 2015, the board of directors approved an amendment to the charter of the Compensation Committee to re-define the term "Executive Officers" to include the Company's chief executive officer, president, each executive vice president and each senior vice president. The current version of the written charter adopted by our Compensation Committee is available on our website at www.halconresources.com.

Nominating and Corporate Governance Committee. The members of our Nominating and Corporate Governance Committee are Thomas R. Fuller, Daniel A. Rioux and Michael A. Vlastic, with Mr. Rioux serving as the chairman. Messrs. Christmas and Welsh also served on the Nominating and Corporate Governance Committee, with Mr. Christmas serving as its chairman, prior to the resignations of Messrs. Irish and Smiley from our board of directors in January 2015. Our board of directors has determined that all members of the Nominating and Corporate Governance Committee who currently serve are independent pursuant to the NYSE rules and in accordance with our nominating and corporate governance committee charter.

Our Nominating and Corporate Governance Committee is responsible for identifying qualified candidates to be presented to our board of directors for nomination as directors, ensuring that our board of directors and our organizational documents are structured in a way that best serves our practices and objectives, and developing and recommending a set of corporate governance principles. The Nominating and Corporate Governance Committee may consider candidates for our board of directors from any reasonable source, including a search firm engaged by the Nominating and Corporate Governance Committee, recommendations of the board of directors, management or, in accordance with the procedures set forth in our bylaws, our stockholders. In 2014, our Nominating and Corporate Governance Committee held three meetings and acted by unanimous written consent one time.

The written charter adopted by our Nominating and Corporate Governance Committee is available on our website at www.halconresources.com.

Table of Contents

Reserves Committee. The members of our Reserves Committee are Tucker S. Bridwell, Thomas R. Fuller, Kevin E. Godwin and David S. Hunt, with Mr. Fuller serving as the chairman. Mr. Welsh served on the Reserves Committee prior to the resignations of Messrs. Irish and Smiley from our board of directors in January 2015. Mr. Hunt will no longer serve on the Reserves Committee when his term expires at the 2015 annual meeting of stockholders. Our Reserves Committee is composed solely of non-employee directors who meet the "independence" standards of the NYSE. Our Reserves Committee has been formed to assist our board of directors with oversight in the preparation by independent petroleum engineers of annual and any special reserve reports and/or audits of the estimated amounts of our consolidated hydrocarbon reserves and related information. The Reserves Committee selects, engages and determines funding for the independent petroleum engineers who evaluate our hydrocarbon reserves and also determines their independence from Halcón in accordance with, among other things, the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. In 2014, our Reserves Committee held six meetings, including telephonic meetings.

On February 27, 2013, the board of directors approved amendments to the charter of the Reserves Committee to clarify certain procedural matters relating to operation, responsibilities and authority of the Reserves Committee, including the authority of the Reserves Committee to expend such Company funds as it deems necessary to carry out its responsibilities under its charter. The current version of the written charter adopted by our Reserves Committee is available on our website at www.halconresources.com.

Corporate Governance Matters

Corporate Governance Web Page and Available Documents. We maintain a corporate governance page on our website at www.halconresources.com where you can find the following documents:

our corporate governance guidelines;

our code of ethics;

our code of conduct;

our insider trading policy and guidelines with respect to certain transactions in company securities; and

the charters of our Audit, Compensation, Nominating and Corporate Governance, and Reserves Committees.

We will also provide a printed copy of these documents, without charge, to stockholders who request copies in writing from Scott Zuehlke, Vice President, Investor Relations, Halcón Resources Corporation, 1000 Louisiana St., Suite 6700, Houston, Texas 77002.

Director Independence. The current listing standards of the NYSE require our board to affirmatively determine the independence of each director and to disclose such determination in the proxy statement for each annual meeting of our stockholders. The board, at its meeting held on February 25, 2015, affirmatively determined that each of Messrs. Bridwell, Christmas, Fuller, Godwin, Hunt, Miller, Rioux, Vlasic and Welsh is an "independent director" under the guidelines described below and the independence rules of the NYSE codified in Section 303A of the NYSE Listed Company Manual.

In connection with its assessment of independence, our board reviewed information regarding relevant relationships, arrangements or transactions between the Company and each director or parties affiliated with such director.

Table of Contents

Our board has established the following standards for determining director independence in our corporate governance guidelines:

A majority of the directors on our board must be "independent." No director qualifies as "independent" unless the board affirmatively determines that the director has no "material relationship" with Halcón, either directly, or as a partner, shareholder or officer of an organization that has a relationship with Halcón. A "material relationship" is a relationship that the board determines, after a consideration of all relevant facts and circumstances, compromises the director's independence from management. Our board's determination of independence must be consistent with all applicable requirements of the NYSE, the SEC, and any other applicable legal requirements. Our board may adopt specific standards or guidelines for independence in its discretion from time to time, consistent with those requirements. As set forth in the NYSE Listed Company Manual Section 303A.02, our board must consider the following factors that preclude a finding by the board of a member's or prospective member's "independence" from Halcón:

1. A director who is, or who has been within the last three years, an employee of Halcón (including in each case subsidiaries or parent entities in a consolidated group), or an immediate family member who is, or has been within the last three years, an executive officer, of Halcón;
2. A director who has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from Halcón, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); provided, that, compensation received by a director for former service as an interim Chairman or CEO or other executive officer need not be considered in determining independence under this test, and compensation received by an immediate family member for service as an employee of Halcón need not be considered in determining independence under this test;
3. (A) A director is a current partner or employee of a firm that is Halcón's internal or external auditor; (B) a director who has an immediate family member who is a current partner of such a firm; (C) a director who has an immediate family member who is a current employee of such a firm and who participates in Halcón's audit; or (D) a director or an immediate family member who was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on Halcón's audit within that time;
4. A director or an immediate family member who is, or who has been within the last three years, employed as an executive officer of another company where any of Halcón's present executive officers at the same time serves or served on that company's Compensation Committee;

Table of Contents

5. A director who is a current employee, or an immediate family member who is a current executive officer, of a company that has made payments to, or received payments from, Halcón for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$200,000, or 2% of such other company's consolidated gross revenues;
6. Whether the director has any other relationship with Halcón, either directly or as a partner, shareholder or officer of an organization that has a relationship with Halcón; and
7. Whether the director is aware of any other relationships that could potentially interfere, or could appear to interfere, with his exercise of independent judgment in carrying out the responsibilities of a director, including (i) any transaction, arrangement or relationship, in the last fiscal year, involving the director, including any family members, and any other officer or director of Halcón; or (ii) any other relationship with Halcón, either directly or as a shareholder, executive officer or partner or an organization that has such a relationship, including any relationships with charitable, educational, political or other not-for-profit organizations.

For purposes of determining "independence" of a director based on the tests set forth above, among other things, the following applies:

- A. In applying the test in paragraph 5 above, both the payments and the consolidated gross revenues to be measured are those reported in the last completed fiscal year. The look-back provision for this test applies solely to the financial relationship between Halcón and the director or immediate family member's current employer; Halcón is not required to consider former employment of the director or the immediate family member.
- B. For purposes of paragraph 5 above, contributions to tax exempt organizations are not considered "payments," although Halcón still considers the "materiality" of any such relationship in determining the "independence" of a director.
- C. For purposes of determining "independence," an "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a domestic employee) who shares such person's home, and does not include individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

Our corporate governance guidelines set forth our policy with respect to qualifications of the members of the board, the standards of director independence, director responsibilities, board meetings, director access to management and independent advisors, director orientation and continuing education, director compensation, Chairman and CEO dual responsibilities, management evaluation and succession, annual performance evaluation of the board, and executive sessions.

Nomination Process. The Nominating and Corporate Governance Committee will consider stockholder nominees for election as directors. Any stockholder nominations must be received by us not less than sixty (60) days nor more than ninety (90) days prior to the annual meeting; provided however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder, to be timely, must be received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Nominations should be delivered to the Nominating and Corporate Governance Committee at the following address: The Halcón Resources Nominating and Corporate Governance Committee, c/o Daniel A. Rioux, Committee Chairman, Halcón Resources Corporation, 1000 Louisiana St., Suite 6700, Houston, Texas 77002. The stockholder's nomination notice must set forth: (i) as to each person whom the stockholder proposes to nominate for election or re-election as a director: (a) the

Table of Contents

name, age, business address and residence address of the person; (b) the principal occupation or employment and business experience of the person for at least the previous five years; (c) the class and number of shares of our capital stock which are beneficially owned by the person; and (d) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the rules and regulations of the SEC under Section 14 of the Exchange Act; and (ii) as to the stockholder giving the notice: (a) the name and record address of the stockholder; and (b) the class and number of shares of our capital stock beneficially owned by the stockholder. Such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director, if elected. We may require any proposed nominee to furnish such other information as may reasonably be required by us to determine the eligibility of such proposed nominee to serve as a director.

In considering possible candidates for election as a director, the Nominating and Corporate Governance Committee is guided by the principles that each director should be an individual of high character and integrity and have:

independence;

wisdom;

an understanding and general acceptance of our corporate philosophies;

business or professional knowledge and experience that can address our challenges and opportunities, and contribute meaningfully to the deliberations of our board of directors;

a proven record of accomplishment with an excellent organization;

an inquiring mind;

a willingness to speak one's mind;

an ability to challenge and stimulate management; and

a willingness to commit time and energy to our business affairs.

In addition to considering possible candidates for election as directors, the Nominating and Corporate Governance Committee may, in its discretion, review the qualifications and backgrounds of existing directors and other nominees (without regard to whether a nominee has been recommended by stockholders), as well as the overall composition of our board of directors, and recommend the slate of directors to be nominated for election at the ensuing annual meeting of stockholders. Currently, we do not employ or pay a fee to any third party to identify or evaluate, or assist in identifying or evaluating, potential director nominees.

The charter of our Nominating and Corporate Governance Committee provides that the Committee will evaluate our corporate governance effectiveness and recommend such revisions as it deems appropriate to improve our corporate governance. The areas of evaluation may include such matters as the size and independence requirements of our board of directors, board committees, management succession and planning, and regular meetings of our non-employee directors without management in executive sessions.

The Nominating and Corporate Governance Committee did not receive any stockholder recommendations for nomination to our board of directors in connection with this year's annual meeting. The Nominating and Corporate Governance Committee has recommended Messrs. Bridwell, Godwin and Welsh, who are current Class B directors, for re-election as the term of their class is expiring on our classified board of directors. Mr. Hunt, a Class B director, informed the board of directors in March 2015 that he would serve out his term but not stand for re-election at the 2015 annual meeting of stockholders. If Proposal No. 5 is approved by our stockholders, Messrs. Bridwell,

Table of Contents

Godwin and Welsh would each serve a one-year term if elected by the stockholders; however, if Proposal No. 5 is not approved, they will serve a three-year term expiring in 2018 if elected by the stockholders.

Board Diversity. Our board of directors does not have a formal written policy with regard to the consideration of diversity in identifying director nominees. Our Nominating and Corporate Governance Committee charter, however, requires the committee to review the composition of the board as a whole and recommend, if necessary, measures to be taken so that our board not only contains the required number of independent directors, but also reflects the balance of knowledge, experience, skills, expertise, integrity, analytical ability and diversity as a whole that the committee deems appropriate. This review includes an assessment as to our board's current and anticipated need for directors with specific qualities, skills, experience or backgrounds; the availability of highly qualified candidates; committee workloads and membership needs; and anticipated director retirements.

Leadership Structure. Our board currently combines the role of Chairman with the role of Chief Executive Officer, or CEO, and maintains a separate empowered lead independent director position ("Lead Director") to further strengthen our governance structure. Our board believes this provides an efficient and effective leadership model for the Company. Combining the Chairman and CEO roles fosters clear accountability, effective decision-making and alignment on corporate strategy while reducing the potential for fractured leadership that can undermine successful implementation of policy.

Our board believes that the Company is strengthened by the chairmanship of Mr. Wilson, who provides strategic, operational and technical expertise, vision and a proven ability to lead the Company. Our board believes that, under the present circumstances, the interests of the Company and its stockholders are best served by the leadership and direction of Mr. Wilson as Chairman and CEO. Our board recognizes that no single leadership model is right for all companies and at all times and that, depending on the circumstances, other leadership models, such as a separate independent chairman of the board, might be appropriate.

Mr. James W. Christmas, who is an independent and non-management director, was elected by the board at its meeting held on January 21, 2015 to serve as our Lead Director following Mr. Irish's resignation from our board of directors in January 2015. During 2014, Mr. Irish served as our Lead Director following his re-election by the board at its meeting held on July 29, 2014. A Lead Director will be elected annually by our board. Our Lead Director serves as a key component of our governance structure, subject to oversight by the independent members of our board. The Lead Director's responsibilities and authority generally include:

presiding over all executive sessions of the independent directors and all other board meetings at which the Chairman is not present;

calling special meetings of the independent directors when necessary and appropriate;

coordinating the agenda for, and moderating sessions of, the board's independent directors;

serving as a liaison between the Chairman and the independent directors;

consulting with the Chairman to include and provide at meetings of the directors specific agenda items and additional materials suggested by independent board members;

approving the scheduling of regular and, where feasible, special meetings of the board to ensure that there is sufficient time for discussion of all agenda items;

facilitating communications among the other members of the board;

consulting with the chairs of the board committees and soliciting their participation to avoid diluting their authority or responsibilities; and

Table of Contents

performing other duties as the board may from time to time delegate.

Our corporate governance guidelines currently provide that non-management directors must meet at regularly scheduled executive sessions without management. Mr. Irish, as Lead Director, presided over the executive sessions of our non-management directors during 2014. During 2014, our non-management directors held six executive sessions without management present, and Mr. Irish presided over each executive session.

Risk Oversight. It is the job of our CEO, President, Chief Financial Officer, Chief Legal Officer, and other members of our senior management to identify, assess, and manage our exposure to risk. In conjunction with our risk oversight program, senior management has retained outside consultants to assist in identifying, assessing, analyzing and developing plans to mitigate enterprise risks. Our board plays an important role in overseeing management's performance of these functions. Our board of directors has approved the charter of its Audit Committee, which lists the primary responsibilities of the Audit Committee. Those responsibilities require the Audit Committee to discuss with management our major financial risk exposures and the steps management has taken to monitor and control such exposures, including the substance of any significant litigation, contingencies or claims that had, or may have, a significant impact on the financial statements. The Audit Committee is also required to discuss with management and review the mechanisms, guidelines and policies that govern the processes by which risk assessment and management are undertaken.

Each of the board's other committees also oversees the management of risks that fall within such committee's area of responsibility. Our Compensation Committee incorporates risk considerations, including the risk of loss of key personnel, as it evaluates the performance of our CEO and other executive officers, reviews management development and determines compensation structure and amounts. Our Nominating and Corporate Governance Committee focuses on issues and risks relating to board composition, leadership structures, succession planning and corporate governance matters. The focus of our Reserves Committee is on the integrity of the process of selecting our independent petroleum engineers and whether reports prepared by our independent petroleum engineers are prepared in accordance with the accepted or required petroleum engineering standards.

Our board receives reports from its committees regarding the risks considered in their respective areas to ensure that our board has a broad view of our strategy and overall risk management process. In performing its risk oversight function, each committee has full access to management, as well as the ability to engage advisors. Each committee's charter is available on our website at www.halconresources.com.

Communications with the Board. Our stockholders may communicate concerns to any director, board committee or to the full board of directors by sending letters addressed to such directors, board committees or the full board of Halcón Resources Corporation at 1000 Louisiana St., Suite 6700, Houston, Texas 77002, Attention: Larry L. Helm, Executive Vice President, Corporate Affairs. Mr. Helm will then, as appropriate, forward the communication to the intended director or directors, board committee or the full board of directors. If the stockholder wishes the communication to be confidential, then the communication should be provided in a form that will maintain confidentiality such as stamping the envelope and the contents as "confidential."

Communications with the Non-Management Directors. Interested parties may communicate concerns to the non-management members of our board of directors by sending a communication to the Lead Director and chairman of the Audit Committee, James W. Christmas, 1000 Louisiana St., Suite 6700, Houston, Texas 77002. Mr. Christmas will then forward such communication to all of our other non-management directors.

Table of Contents

Directors' Attendance at Stockholder Meetings. Our corporate governance guidelines provide that our directors are encouraged to attend annual meetings of our stockholders. None of our directors attended last year's annual meeting of stockholders.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Charter of Aircraft. In the ordinary course of its business, the Company occasionally charters private aircraft from unaffiliated air charter companies. Floyd C. Wilson, the Company's Chairman and CEO, indirectly owns an aircraft which is managed by an independent air charter company unaffiliated with both Mr. Wilson and the Company. The Company occasionally charters private aircraft, including the aircraft owned indirectly by Mr. Wilson, from this company. The aircraft in the air charter company's fleet, including the aircraft indirectly owned by Mr. Wilson, are available to the public for charter based upon a standard fee schedule established by the air charter company, with the fees dependent primarily upon the type and size of the aircraft utilized and the duration of the flight. During 2014, the Company paid a total of approximately \$0.8 million to the air charter company that manages Mr. Wilson's aircraft, all of which was related to the use of the aircraft indirectly owned by Mr. Wilson. Because the air charter company establishes fees for the use of the aircraft in its fleet, Mr. Wilson does not receive any greater benefit from the Company's charter of the aircraft indirectly owned by him than he does if any third party were to charter the aircraft. Any fees related to the charter of the aircraft are paid to the air charter company, which deducts from revenues received from charter customers a variety of expenses incidental to use of the aircraft (such as personnel, fuel and commissions) and recurring charges (such as for inspections, maintenance, storage and service).

The use of charter and Company-owned aircraft by Company personnel is governed by the Company's Aircraft Policy. Our policies do not require that a special committee of the Company's independent directors approve the use of aircraft chartered through an unaffiliated air charter company that independently establishes the amount charged under arrangements that otherwise comply with our Aircraft Policy.

Amendment to 8% Convertible Note and 2012 Warrants. As previously disclosed, in connection with the Recapitalization, the Company entered into a Securities Purchase Agreement on December 21, 2011, with HALRES LLC, formerly Halcón Resources, LLC ("HALRES"), pursuant to which, among other things, HALRES purchased and we issued a senior convertible promissory note in the principal amount of \$275 million (the "8.0% Convertible Note"), together with five year warrants to purchase 36.7 million shares of our common stock at an exercise price of \$4.50 per share, subject to adjustment under certain circumstances (the "2012 Warrants"). As discussed below under *"Proposal 4 Approval of, in accordance with Section 312.03 of the NYSE Listed Company Manual, the issuance of additional shares of Halcón common stock to HALRES LLC upon conversion of our 8.0% senior convertible note and exercise of the warrants,"* the Company is seeking approval from its stockholders for the issuance of an increased number of shares of common stock upon conversion of the 8.0% Convertible Note and the exercise of the 2012 Warrants held by HALRES in connection with an amendment of those instruments that, among other things, extends the maturity of the 8.0% Convertible Note by three years.

Various members of our board of directors and management hold indirect investments in entities that own membership interests in HALRES. In January 2015, our board of directors appointed a special committee consisting of Mr. Vlasic and Mr. Godwin, who are independent directors that are disinterested with respect to HALRES ("Special Committee"), for the purpose of negotiating and evaluating a possible restructuring of the 8.0% Convertible Note as part of a larger effort to improve the Company's balance sheet. The Special Committee, together with its independent financial advisor, Evercore Group L.L.C. ("Evercore"), and its outside legal counsel, reviewed, analyzed and negotiated with HALRES the final terms of the restructuring of the 8.0% Convertible Note and the 2012 Warrants. After receiving opinions from Evercore as described below, on each of March 9 and March 13, 2015, the Special Committee approved a proposal to amend the 8.0% Convertible Note

Table of Contents

("Amended Note") and the 2012 Warrants ("Amended Warrants"), each as described below, and recommended that our board of directors approve the Amended Note and Amended Warrants. On each of March 9 and March 12, 2015, Evercore rendered to the Special Committee its oral opinions (confirmed in writing) that, as of the date on which the applicable opinion was rendered, and based upon and subject to the factors, procedures, assumptions, qualifications and limitations set forth in its opinion, the amendments to the 8.0% Convertible Note and the 2012 Warrants were on terms no less favorable to the Company than could reasonably be available to the Company from an unaffiliated third party. On each of March 9 and March 15, 2015, upon the recommendation of the Special Committee, our board of directors adopted a resolution that approved and authorized, subject to stockholder approval, the Amended Note and Amended Warrants.

If Proposal No. 4 is approved by the Company's stockholders, the terms of the 8.0% Convertible Note will be amended such that (i) the maturity date will be extended from February 8, 2017 to February 8, 2020, (ii) the conversion price of \$4.50 per share will be modified to \$2.44 per share ("Reset Conversion Price"), such price representing a 30% premium above the volume weighted average price of the Company's common stock on the New York Stock Exchange ("NYSE") for the three trading days immediately preceding the acceptance of the proposal from HALRES in writing by the Company rounded to the nearest cent, and (iii) the two year no call/no convert period, which expired as of February 8, 2014, will recommence and expire in March 2017; and the 2012 Warrants will be amended to provide that (i) the exercise price of \$4.50 per share will be modified to the Reset Conversion Price and (ii) the expiration date will be extended from February 8, 2017 to February 8, 2020.

RELATED PARTY TRANSACTION REVIEW POLICIES AND PROCEDURES

A transaction or series of similar transactions to which we are a party in which the amount involved exceeds \$120,000 and involves a director, executive officer, 5% stockholder or any immediate family members of these persons is evaluated by a special committee of disinterested directors formed by our board of directors to evaluate such transactions. In addition, our code of conduct provides that every employee should disclose any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest to upper management or the Company's Audit Committee. The Audit Committee has the authority to evaluate any such conflicts of interest and recommend actions to be taken by our board in connection with such conflicts of interest or to report the existence of any such conflicts of interest to the full board for it to take action.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who beneficially own more than 10% of our common stock to file certain reports with the SEC concerning their beneficial ownership of our equity securities. The SEC's regulations also require that a copy of all such Section 16(a) forms filed must be furnished to us by the executive officers, directors and greater than 10% stockholders. To our knowledge based solely on a review of copies of reports filed under Section 16(a) during the 2014 fiscal year and furnished to us, our directors, executive officers and holders of 10% or more of our shares complied with these requirements.

Table of Contents**MANAGEMENT**

The following table sets forth the names and ages of all of our executive officers, the positions and offices with us held by such persons and the months and years in which continuous service as officers began:

Name	Executive Officer Since	Age	Position
Floyd C. Wilson	Feb. 2012	68	Chairman of the Board and Chief Executive Officer
Stephen W. Herod	May 2012	56	President
Mark J. Mize	Feb. 2012	43	Executive Vice President, Chief Financial Officer and Treasurer
Charles E. Cusack III	Oct. 2012	56	Executive Vice President and Chief Operating Officer
David S. Elkouri	May 2012	61	Executive Vice President, Corporate Strategy and Chief Legal Officer
Larry L. Helm	Feb. 2013	67	Executive Vice President, Corporate Affairs and Corporate Secretary
Leah R. Kasparek	May 2012	45	Senior Vice President, Human Resources
Tina S. Obut	Feb. 2013	50	Senior Vice President, Corporate Reserves
Joseph S. Rinando, III	May 2012	43	Senior Vice President, Chief Accounting Officer and Controller

Our executive officers are appointed to serve until the meeting of the board of directors following the next annual meeting of stockholders and until their successors have been elected and qualified. The following paragraphs contain certain information about each of our executive officers other than Mr. Wilson, whose biographical information is included under the heading "*Our Board of Directors and Its Committees The Board of Directors*" above.

Stephen W. Herod has served as President since May 2012. Mr. Herod served as Executive Vice President Corporate Development and Assistant Secretary of Petrohawk Energy Corporation from August 2005 until BHP Billiton acquired Petrohawk in August 2011. Mr. Herod served as Vice President Corporate Development of Petrohawk from May 2004 until August 2005. Prior to joining Petrohawk, he was employed by PHAWK, LLC from its formation in June 2003 until May 2004. He served as Executive Vice President Corporate Development for 3TEC Energy Corporation from December 1999 until its merger with Plains Exploration & Production Company in June 2003 and as Assistant Secretary from May 2001 until June 2003. Mr. Herod served as a director of 3TEC from July 1997 until January 2002. Mr. Herod served as the Treasurer of 3TEC from 1999 until 2001. From July 1997 to December 1999, Mr. Herod was Vice President Corporate Development of 3TEC. Mr. Herod served as President and a director of Shore Oil Company from April 1992 until the merger of Shore with 3TEC's predecessor in June 1997. He joined Shore's predecessor as Controller in February 1991. Mr. Herod was employed by Conquest Exploration Company from 1984 until 1991 in various financial management positions, including Operations Accounting Manager. From 1981 to 1984, Superior Oil Company employed Mr. Herod as a financial analyst. Mr. Herod is a graduate of Oklahoma State University with a Bachelor of Science degree in finance and management.

Mark J. Mize has served as Executive Vice President, Chief Financial Officer and Treasurer since February 2012. Mr. Mize served as Executive Vice President Chief Financial Officer and Treasurer of Petrohawk Energy Corporation from August 2007 until BHP Billiton acquired Petrohawk in August 2011. Mr. Mize served as the Chief Ethics Officer and Insider Trading Compliance Officer for Petrohawk until June 2009. Additionally, he served as Vice President, Chief Accounting Officer and Controller at Petrohawk from July 2005 until August 2007. Mr. Mize first joined Petrohawk in November 2004 as Controller. Prior to working at Petrohawk, Mr. Mize was the Manager of Financial Reporting of Cabot Oil & Gas Corporation, a public oil and gas exploration company, from January 2003 to November 2004. Prior to his employment at Cabot Oil & Gas Corporation, he was an Audit Manager with PricewaterhouseCoopers LLP from 1996 to 2002. Mr. Mize is a Certified Public Accountant with a Bachelor degree in Accounting from the University of Houston.

Table of Contents

Charles E. Cusack III has served as Executive Vice President and Chief Operating Officer since May 2013. Mr. Cusack served as Executive Vice President, Exploration from November 2012 to May 2013. His responsibilities include overseeing all of the geological efforts for all of the areas where Halcón is active, as well as bringing in new opportunities. Mr. Cusack served as Vice President Exploration at Petrohawk Energy Corporation from 2005 until its sale to BHP Billiton in 2011, where he continued his role until joining Halcón in 2012. Prior to joining Petrohawk, he was employed by PHAWK, LLC from its formation in 2003 until 2004. Mr. Cusack held various technical and management positions at 3TEC Energy Corporation, Cockrell Oil, Amerada Hess, Chevron and Tenneco Oil. Mr. Cusack began his career as a geologist with Gulf Oil in 1983 and holds a Bachelor of Science degree in Engineering Geology from Texas A&M University.

David S. Elkouri has served as Executive Vice President, Corporate Strategy and Chief Legal Officer since April 2014. Mr. Elkouri served as Executive Vice President, General Counsel from May 2012 to April 2014. Mr. Elkouri served as EVP General Counsel and Secretary of Petrohawk Energy Corporation from 2007 until BHP Billiton acquired Petrohawk in August 2011. He also served as Chief Ethics Officer and Insider Trading Compliance Officer of Petrohawk. From 2004 to 2007, he served as lead outside counsel for Petrohawk. Prior to that, Mr. Elkouri served as lead outside counsel for 3TEC Energy Corporation from 1999 to 2003. He also served as lead outside counsel for Hugoton Energy Corporation from 1994 to 1998. Mr. Elkouri is a co-founder of Hinkle Law Firm LLC where he practiced for 20 years prior to joining Petrohawk. Mr. Elkouri is a graduate of the University of Kansas School of Law where he served as a Research Editor of the Kansas Law Review.

Larry L. Helm has served as Executive Vice President, Corporate Affairs since February 2013 and as Corporate Secretary since January 2015. Mr. Helm served as Executive Vice President, Finance and Administration of Petrohawk Energy Corporation from August 2007 until its sale to BHP Billiton in August 2011, where he served as Vice President, Transition until joining Halcón in 2013. Mr. Helm served as Vice President, Chief Administrative Officer of Petrohawk from July 2004 until August 2005, and as Executive Vice President, Chief Administrative Officer of Petrohawk from August 2005 until August 2007. Prior to serving as an executive officer, Mr. Helm served on Petrohawk's board of directors for approximately two months. Mr. Helm was employed with Bank One Corporation from December 1989 through December 2003. Mr. Helm served as Executive Vice President of Middle Market Banking from October 2001 to December 2003. From April 1998 to August 1999, he served as Executive Vice President of the Energy and Utilities Banking Group. Prior to joining Bank One, he worked for 16 years in the banking industry primarily serving the oil and gas sector. He served as director of 3TEC Energy Corporation from 2000 to June 2003.

Leah R. Kasperek has served as Senior Vice President, Human Resources since January 2015. Ms. Kasperek served as Vice President, Human Resources from May 2012 to January 2015. Ms. Kasperek initially joined Halcón as Director, Human Resources in February 2012. Ms. Kasperek served as Director of Human Resources at Southwestern Energy from 2009 to 2012. She served as Division Vice President of Human Resources for CenterPoint Energy from 2004 until 2008. Ms. Kasperek was employed in 1996 by Anheuser-Busch Companies and served as Division Vice President of Human Resources from 2001 until 2004. Ms. Kasperek holds a Bachelor of Arts degree from the University of Southwestern Louisiana and earned a law degree from the University of Houston Law Center.

Table of Contents

Tina S. Obut has served as Senior Vice President, Corporate Reserves since January 2015. Ms. Obut served as Vice President, Corporate Reserves from February 2013 to January 2015. Ms. Obut served as Senior Manager of Petroleum Resources at BHP Billiton Petroleum from 2011 to 2012. Prior to that, she served as Senior Vice President, Corporate Reserves for Petrohawk Energy Corporation from 2006 until its sale to BHP Billiton in 2011. From 2004 to 2006, Ms. Obut served as Manager of Reservoir Engineering Evaluations at El Paso Production Company. In addition, she held various engineering, managerial and executive positions at Mission Resources, Ryder Scott Company and Chevron from 1989 to 2006. Ms. Obut graduated from Marietta College with a Bachelor of Science degree in Petroleum Engineering, a Master of Science degree in Petroleum and Natural Gas Engineering from Penn State and a Master of Business Administration from the University of Houston. Ms. Obut is a Licensed Professional Engineer in the State of Texas (#82050).

Joseph S. Rinando, III has served as Senior Vice President, Chief Accounting Officer and Controller since January 2015. Mr. Rinando served as Vice President and Chief Accounting Officer from May 2012 to January 2015. Mr. Rinando initially joined Halcón as Director, Finance in February 2012. Mr. Rinando served as Vice President and Chief Financial Officer of Wilson Industries, a Schlumberger company, from 2010 to 2012. Prior to joining Wilson, he served as Executive Vice President and Chief Financial Officer for Foxxe Energy Services, LLC, a private-equity owned international drilling rig contractor, from 2009 to 2010. Prior to Foxxe, Mr. Rinando served as Vice President and Corporate Controller of Smith International, Inc. from 2006 until 2009 and as Director of Financial Reporting from 2003 to 2006. From 1995 to 2003, he was in the Energy Practice of PricewaterhouseCoopers, LLP, most recently as an Audit Senior Manager, serving clients focused on exploration and production, natural gas transmission, power and utilities, petrochemicals and refining, and drilling. Mr. Rinando has a Bachelor of Business Administration degree in Accounting from Lamar University and is a Certified Public Accountant in the State of Texas.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following sets forth information regarding the beneficial ownership of our common stock as of March 17, 2015 by:

each person to be known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock;

each of our named executive officers;

each of our directors; and

all of our current executive officers and directors as a group.

Edgar Filing: HALCON RESOURCES CORP - Form PRE 14A

Table of Contents

As of March 17, 2015, approximately 431.4 million shares of our common stock were outstanding. Unless otherwise noted, the mailing address of each person or entity named below is 1000 Louisiana St., Suite 6700, Houston, Texas 77002.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Petro-Hunt Holdings, LLC(2)	103,741,278	24.0%
CPPIB and CPPIB PMI-2(3)	56,537,773	12.9%
HALRES LLC(4)	101,037,551	19.0%
Franklin(5)	22,145,056	5.1%
Floyd C. Wilson(6)	5,030,185	1.2%
Stephen W. Herod(7)	965,592	*
Mark J. Mize(8)	1,301,118	*
Charles E. Cusack III(9)	1,042,823	*
Tina S. Obut(10)	523,711	*
Tucker S. Bridwell(11)	557,800	*
James W. Christmas(12)	1,214,941	*
Thomas R. Fuller(13)	268,433	*
Kevin E. Godwin(14)		*
David S. Hunt(15)	325,100	*
David B. Miller(16)	104,943,151	19.7%
Daniel A. Rioux(17)		*
Michael A. Vlasic(18)	925,132	*
Mark A. Welsh IV(19)	77,800	*
All directors and executive officers as a group (18 individuals)	119,348,220	22.0%

*

Less than 1%.

(1)

Unless otherwise indicated, each stockholder has sole voting and investment power with respect to all shares of common stock indicated as being beneficially owned by such stockholder. Shares of common stock that are not outstanding, but which a designated stockholder has the right to acquire within 60 days, are included in the number of shares beneficially owned by such stockholder and are deemed to be outstanding for purposes of determining the percentage of outstanding shares beneficially owned by such stockholder, but not for purposes of determining the percentage of outstanding shares beneficially owned by any other designated stockholder. In all instances where ownership of unvested restricted stock is reported below, the individual has the sole power to vote such shares but no investment power.

(2)

The William Herbert Hunt Trust Estate ("WHHTE") does not directly own any common stock; however, as the sole member of Petro-Hunt Holdings, LLC, WHHTE may be deemed to indirectly beneficially own the common stock held of record by Petro-Hunt Holdings, LLC. The business address for Petro-Hunt Holdings, LLC and WHHTE is 2101 Cedar Springs Road, Suite 600, Dallas, Texas 75201.

(3)

According to, and based solely upon, Amendment No. 2 to Schedule 13D and Form 5 filed by Canada Pension Plan Investment Board ("CPPIB") and CPP Investment Board PMI-2 Inc. ("CPPIB PMI-2") with the SEC on June 20, 2013 and February 7, 2014. CPPIB and CPPIB PMI-2 have the shared power to vote or direct the vote with respect to 43,877,566 shares of Halcón common stock, and the shared power to direct the disposition of 43,877,566 shares of Halcón common stock. Includes 6,497,724 shares of common stock of the Company issuable upon the conversion of 40,000 shares of the Company's 5.75% Series A Cumulative Perpetual Convertible Preferred Stock (the "Series A Preferred Stock") beneficially owned by CPPIB. CPPIB has the sole power to vote or direct the vote with respect to 6,162,483 shares of Halcón common stock,

Edgar Filing: HALCON RESOURCES CORP - Form PRE 14A

Table of Contents

and the sole power to direct the disposition of 6,162,483 shares of Halcón common stock. The business address for each of CPPIB and CPPIB PMI-2 is One Queen Street East, Suite 2500, Toronto, ON M5C 2W5, Canada.

- (4) Includes 36,666,667 shares of common stock of the Company issuable upon exercise of a warrant and 64,370,882 shares of common stock of the Company issuable upon conversion of a convertible promissory note (based on principal and accrued but unpaid interest of \$289.7 million convertible into common stock at \$4.50 per share), of which HALRES LLC has the sole power to vote, direct the vote and to direct the disposition thereof. Additionally, David B. Miller may be deemed to share voting and dispositive power over the securities held by HALRES LLC (see footnote 16 below).
- (5) According to, and based solely upon, Schedule 13G filed by Franklin Resources, Inc., Charles B. Johnson, Rupert H. Johnson, Jr. and Franklin Advisers, Inc. (collectively, "Franklin") with the SEC on February 9, 2015. The business address for Franklin is One Franklin Parkway, San Mateo, CA 94403.
- (6) Includes 631,385 shares of unvested restricted stock and 162,443 shares of common stock issuable upon the conversion of 1,000 shares of Series A Preferred Stock owned by Mr. Wilson. Also includes 408,000 shares held in seventeen trusts for the benefit of Mr. Wilson's children and grandchildren, of which Mr. Wilson is the trustee and disclaims beneficial ownership of such shares.
- (7) Includes 306,375 shares of unvested restricted stock and 24,366 shares of common stock issuable upon the conversion of 150 shares of Series A Preferred Stock owned by Mr. Herod. Does not include 466,666 shares of common stock transferred from Mr. Herod to trusts for his minor children in December 2012. Mr. Herod has no dispositive or voting power with respect to the shares held by such trusts.
- (8) Includes 291,504 shares of unvested restricted stock and 32,488 shares of common stock issuable upon the conversion of 200 shares of Series A Preferred Stock owned by Mr. Mize. 333,333 shares held by Mr. Mize are pledged.
- (9) Includes 230,620 shares of unvested restricted stock and 16,244 shares of common stock issuable upon the conversion of 100 shares of Series A Preferred Stock owned by Mr. Cusack. Includes 20,000 shares of common stock owned by a limited partnership of which Mr. Cusack and his wife are general partners or 23,334 shares of common stock owned by the Cusack Ranch Corporation and Mr. Cusack disclaims beneficial ownership of such shares except to the extent Mr. Cusack has a pecuniary interest in the Cusack Ranch Corporation. Mr. Cusack shares voting and dispositive powers with respect to such shares.
- (10) Includes 178,993 shares of unvested restricted stock. Also includes 60,000 shares held in a brokerage account which Ms. Obut and her husband share voting and dispositive powers with respect to such shares.
- (11) Includes 200,000 shares held by Mansfeldt Hawk Partners. Mr. Bridwell is a partner and the president of Mansfeldt Hawk Partners, and is the manager of the general partner. Also includes 100,000 shares held by a family limited partnership, of which Mr. Bridwell and his spouse are general partners. Mr. Bridwell shares voting and investment powers with respect to the shares held by Mansfeldt Hawk Partners and his family limited partnership. The business address of Mr. Bridwell is 400 Pine, Suite 1000, Abilene, Texas 79601.
- (12) Includes 324,886 shares of common stock issuable upon the conversion of 2,000 shares of Series A Preferred Stock owned by Mr. Christmas.
- (13) The business address for Mr. Fuller is 19500 SH 249, Suite 640, Houston, Texas 77070.

Table of Contents

- (14) The business address for Mr. Godwin is One Queen Street East, Suite 2500, Toronto ON M5C 2W5, Canada.
- (15) The business address for Mr. Hunt is 2101 Cedar Springs Road, Suite 600, Dallas, Texas 75201. Mr. Hunt has informed the board of directors that he will not stand for re-election upon expiration of his current term at the 2015 annual meeting of stockholders.
- (16) Includes a warrant to purchase 36,666,667 shares of common stock and 64,370,882 shares of common stock of the Company issuable upon conversion of a convertible promissory note (based on principal and accrued but unpaid interest of \$289.7 million convertible into common stock at \$4.50 per share), exercisable within 60 days after the date hereof owned by HALRES LLC. EnCap Energy Capital Fund VIII, L.P. ("EnCap Fund VIII") owns a majority of the membership interests in HALRES LLC and has the contractual right to nominate a majority of the members of the board of managers of HALRES LLC. EnCap Fund VIII may be deemed to beneficially own all of the reported securities held by HALRES LLC. EnCap Fund VIII is controlled indirectly by David B. Miller, Gary R. Petersen, D. Martin Phillips and Robert L. Zorich. Messrs. Miller, Petersen, Phillips and Zorich are members of RNBD GP LLC ("RNBD") and any action taken by RNBD to dispose or acquire securities has to be unanimously approved by all four members. RNBD is the sole member of EnCap Investments GP, L.L.C. ("EnCap Investments GP"), which is the general partner of EnCap Investments L.P., which is the general partner of EnCap Equity Fund VIII GP, L.P. ("EnCap Fund VIII GP"), which is the general partner of EnCap Fund VIII. Messrs. Miller, Petersen, Phillips and Zorich, RNBD, EnCap Investments GP, EnCap Investments L.P. and EnCap Fund VIII GP may be deemed to share dispositive and voting power over the securities held by HALRES LLC. Also includes 3,750,000 shares held by EnCap Fund VIII and 2 shares held by HALRES, LLC of which Mr. Miller may be deemed to share dispositive and voting power. Also includes 77,800 shares held by Mr. Welsh for which Mr. Miller may be deemed to share voting power. The business address of Mr. Miller is 3811 Turtle Creek Blvd., Suite 1000, Dallas, Texas 75219.
- (17) The business address of Mr. Rioux is 10 St. James Avenue, 19th Floor, Boston, Massachusetts 02116.
- (18) Mr. Vlasic has shared investment authority and shared voting/dispositive power over the shares, and he disclaims beneficial ownership of the shares in excess of his respective pecuniary interests therein. The business address of Mr. Vlasic is 1145 W. Long Lake Road, Suite 201, Bloomfield Hills, Michigan 48302.
- (19) Mr. Welsh may be deemed to share voting power with respect to the 77,800 shares. The business address of Mr. Welsh is 3811 Turtle Creek Blvd., Suite 1000, Dallas, Texas 75219.

EXECUTIVE COMPENSATION

The following discussion of executive compensation contains descriptions of various employment-related agreements and employee benefit plans. These descriptions are qualified in their entirety by reference to the full text of the referenced agreements and plans, which have been filed by us as exhibits to our reports on Forms 10-K, 10-Q and 8-K filed with the SEC.

Compensation Discussion and Analysis

Introduction

Our compensation program is designed, structured and administered under the oversight of the Compensation Committee of our board of directors. Our Compensation Committee is composed entirely of independent directors: Michael A. Vlasic (Chairman), Tucker S. Bridwell, Daniel A. Rioux and Mark A. Welsh IV. Stephen P. Smiley served as Chairman of the Compensation Committee until

Table of Contents

his resignation on November 5, 2014, immediately following which Mr. Vlasic was appointed Chairman. Mr. Welsh was added as a member of the Compensation Committee in January 2015. Mr. Smiley resigned from our board of directors and as a member of our Compensation Committee in January 2015.

In February 2012, HALRES LLC (formerly Halcón Resources, LLC), a newly-formed limited liability company led by Floyd C. Wilson, recapitalized us with a \$550.0 million investment. We refer to this as the "HALRES Transaction." The HALRES Transaction resulted in the appointment of an entirely new management team and board of directors, and we promptly embarked on a new business strategy focused on the acquisition of unevaluated leasehold and producing properties located in domestic onshore, liquids-rich, resource-style prospect areas. During 2012, we acquired the vast majority of our current positions in the Bakken / Three Forks formations in North Dakota, the Eagle Ford formation in East Texas, the Utica / Point Pleasant formations in Ohio and Pennsylvania and various other prospect areas, and we instituted an aggressive drilling program with the objective of greatly expanding our production and reserves. During 2013 and 2014, our acquisition activities slowed, although we continued to acquire leasehold positions in our core resource plays and began to accumulate leasehold acreage in the Tuscaloosa Marine Shale formation in Mississippi and Louisiana, while our drilling activities increased, and we divested several non-core assets to help fund activities in our core resource plays. During 2014, we also formed a joint venture to fund the initial drilling program on our Tuscaloosa Marine Shale properties. The implementation of our business strategy, the significant acquisition and divestiture activities we have engaged in as a consequence, and the progress we have made pursuing our business plans have factored into our compensation philosophy, various features of our compensation programs and the compensation decisions we have made, as reflected in the discussion that follows.

For the purposes of our discussion, our named executive officers for 2014 are:

Name	Title
Floyd C. Wilson	Chairman of the Board and Chief Executive Officer (our principal executive officer)
Stephen W. Herod	President
Mark J. Mize	Executive Vice President, Chief Financial Officer and Treasurer (our principal financial officer)
Charles E. Cusack III	Executive Vice President and Chief Operating Officer
Tina S. Obut	Senior Vice President, Corporate Reserves

Overview of Our Compensation Program

We operate in a highly competitive environment and must recruit, motivate and retain the executive talent required to successfully manage and grow our business and to achieve our short and long-term business objectives. We use a competitive mix of fixed and at-risk compensation related to stockholder value and our overall performance to achieve our goals and to align the interests of senior management and key employees to those of our stockholders. We target total compensation for our senior management at between the 50th and the 75th percentile of our compensation peer group utilizing peer group information provided by our independent compensation consultant and taking into account our assessment of management's performance, competitive market conditions and other factors that we deem relevant.

Generally, we utilize a greater percentage, on average, of "at-risk" compensation than our compensation peer group. At-risk compensation includes annual cash incentives, the payment of which depends upon our Compensation Committee's annual assessment of management performance, and long-term equity incentives. Because we tend to utilize a greater percentage of at-risk compensation than our compensation peer group, the actual compensation we pay may be substantially higher or

Table of Contents

lower than the amount paid by our compensation peer group. Long-term equity incentives generally comprise more than 50% of the value of the total compensation paid to our senior management. Historically we have relied predominantly on time-vested restricted stock and stock option awards issued under our First Amended and Restated 2012 Long-Term Incentive Plan, which we refer to as the "Plan," with approximately 50% of those awards in the form of stock options having an exercise price equal to the closing market price of our common stock on the date of grant (in accordance with the terms of our Equity-Based Incentive Grant Policy). Our use of stock options represents a higher percentage of this type of award than typically utilized by our compensation peer group. Stock options become valuable only if our common stock price increases above the option exercise price. Additionally, each equity award that we issue generally vests over a minimum period of three years. Accordingly, these awards are subject to the risk of fluctuations in the trading price of our common stock and the risk of forfeiture if the individual does not remain employed by us through the vesting of the award. In 2014, we utilized performance units issued under the Plan to provide long-term equity incentives for certain members of senior management. Vesting of the performance units is based upon the achievement of specified share price targets over a specific time period.

We also maintain stock ownership guidelines which align the financial interest of our directors, chief executive officer, president and executive vice presidents with shareholders by requiring that such individuals directly or indirectly maintain a substantial investment in our common stock. We believe that the structure of our compensation program helps us achieve our goals and aligns the interests of senior management with those of our stockholders by combining competitive compensation with the opportunity for greater rewards for superior short-term and long-term performance.

Our Compensation Committee

The Compensation Committee of the board of directors is comprised entirely of independent directors in accordance with the rules of the NYSE governing listed companies. The primary duties and responsibilities of the Compensation Committee are to establish and implement our compensation policies and programs for senior management, including the named executive officers. The Compensation Committee has the authority under its charter to select and engage the services of a compensation consultant, independent legal counsel or other advisor after considering certain factors relevant to independence from management. After conducting its independence assessment, the Compensation Committee has the sole authority to engage, obtain the advice of, oversee, terminate and determine funding for such independence professional advisers, including but not limited to consulting firms, independent legal counsel or other advisers, as the Compensation Committee determines appropriate to carry out its functions. A current copy of the Compensation Committee charter is available on our website at www.halconresources.com under the section entitled "*Investor Relations Corporate Governance*." The Compensation Committee also reviews and assesses the adequacy of its charter, at least annually, and recommends any proposed changes to our board of directors for approval.

The Chairman of the Compensation Committee works with our Executive Vice President, Corporate Affairs and Senior Vice President, Human Resources to establish an agenda for each meeting of the Compensation Committee and, with the assistance of outside advisors, to prepare meeting materials. Various members of management, including our Chief Executive Officer, Chief Financial Officer, Executive Vice President, Corporate Affairs, and Senior Vice President, Human Resources, as well as outside advisors, may be invited to attend all or a portion of a Compensation Committee meeting depending on the nature of the matters to be discussed. Only members of the Compensation Committee vote on items before the Compensation Committee; however, the Compensation Committee and board of directors often solicit the views of senior management on compensation matters, in particular as they relate to the compensation of other members of senior management.

Table of Contents

Objectives of Our Compensation Program

Our success depends on the continued contributions of our senior management and other key employees. Our compensation program is intended to recruit, motivate and retain the executive talent required to successfully manage and grow our business and to achieve our short and long-term business strategy by providing compensation that is competitive in relation to our peers while fostering an atmosphere of teamwork, recognizing overall business results and individual merit, and that supports the attainment of our strategic objectives by tying the interests of senior management and key employees to those of our stockholders through the use of annual cash incentives and equity-based compensation.

Design of Our Compensation Program

Our compensation program for senior management, including the named executive officers, is designed to:

provide compensation that is competitive with our compensation peer group;

balance short-term and long-term goals through the use of annual cash incentives and grants of long-term equity incentives;
and

deliver a mix of fixed and at-risk compensation that is related to our overall performance and the creation of stockholder value.

Each element of compensation is reviewed and considered with the other elements of compensation to ensure that it is consistent with the goals and objectives of both that particular element of compensation and our overall compensation program and, that individually and collectively, our compensation practices do not encourage inappropriate, unnecessary or excessive risk taking. In determining senior management compensation, including the compensation of the named executive officers, we considered the following factors:

the compensation practices of our compensation peer group;

our size and growth relative to companies comprising our compensation peer group;

the degree to which senior management achieved our business objectives during 2014;

each individual's contributions to our accomplishments during 2014; and

the external challenges to our ability to attract and retain strong senior management.

The Role of Our Independent Compensation Consultant

The Compensation Committee has historically retained Longnecker & Associates, Inc. ("Longnecker") to advise on executive compensation and, in that capacity to, among other things, make recommendations regarding an appropriate compensation peer group, to assist the Compensation Committee in establishing a competitive executive compensation program and to make recommendations and provide analysis regarding the compensation of senior management, including the named executive officers. In accordance with the rules of the NYSE, the Compensation Committee annually considers the independence of Longnecker from Company management based upon various factors, including the magnitude of any fees the consultant received from the Company for services or products provided to the Company relative to the firm's annual gross revenues; whether the individuals that advise the Compensation Committee participate directly or by collaboration with others in the firm in the provision of any services or products to the Company; whether the consultant provided any products or services to any executive officer of the Company; and whether the individuals that advise the Compensation Committee own any Company securities. After considering these various factors, the Compensation Committee determined that Longnecker was independent of Company management

Table of Contents

during the relevant periods covered by this report. No conflicts of interest or issues involving the independence of Longnecker arose during the periods covered by this report.

Longnecker is engaged by, and reports directly to, the Compensation Committee and, in carrying out its duties, may work with our Executive Vice President, Corporate Affairs and Senior Vice President, Human Resources when preparing materials for the Compensation Committee. During 2014, representatives of Longnecker attended Compensation Committee meetings, met with the Compensation Committee without management being present and provided third-party data, analysis, advice and expertise on executive compensation and executive compensation programs. We relied upon this data, Longnecker's analyses of the data and its recommendations in establishing our compensation peer group, compensation programs and in establishing specific compensation amounts for our senior management, including the named executive officers. Longnecker also advised the Compensation Committee regarding the terms of the employment agreements that were negotiated with senior management during 2012 and 2013.

During the course of assisting the Compensation Committee, Longnecker generated reports that included a compilation of compensation data based upon our compensation peer group (discussed below) and particularized data for industry participants to the extent Longnecker determined that such additional data would prove useful in our compensation process. At the direction of the Compensation Committee, Longnecker also reviewed materials prepared by certain members of senior management and advised the Compensation Committee on the matters included in the materials, including the consistency of management proposals with the Committee's compensation philosophy, programs and objectives.

Our Compensation Committee periodically reconsiders, with the advice and assistance of Longnecker, the composition of our compensation peer group and will recommend changes to so that it continues to reflect companies that we compete with for management talent. For example, the composition of our compensation peer group may change in response to, among other things, changes in our assets, revenues and market capitalization, as well as in response to business combinations involving members of our peer group. Longnecker advises us on the composition of our compensation peer group, and provides reports and analyses on compensation of the same type as previously discussed utilizing our compensation peer group. In connection with our Compensation Committee's 2014 compensation processes, Longnecker was asked to revisit our compensation peer group and to suggest updates to the members of that group for 2014 compensation purposes, as discussed in more detail below.

Our Compensation Peer Group

In developing our compensation structure, we review the compensation and benefit practices, as well as levels of pay, of a compensation peer group of companies selected by the Compensation Committee, with the assistance of Longnecker, from oil and natural gas exploration and development companies. In preparation for our 2014 compensation review, Longnecker provided compensation data and analyses, which included, among other things, (1) the companies reviewed in their analysis of an appropriate compensation peer group recommendation; (2) compensation data of the recommended compensation peer group and (3) particularized data for industry participants to the extent Longnecker determined that such additional data would prove useful in our compensation process.

We periodically review, evaluate and update our compensation peer group to provide ongoing comparability for compensation purposes. Adjustments to our compensation peer group are made due to business combinations or sales of peer group companies, as well as when necessary, in the opinion of our Compensation Committee, to better reflect the companies that compete with us for management talent and share common characteristics with our business, including assets, production levels, revenues, oil and natural gas reserves and production mix, market capitalization and enterprise value. For the

Edgar Filing: HALCON RESOURCES CORP - Form PRE 14A

Table of Contents

compensation structure developed for 2014, the compensation peer group consisted of the following fourteen companies:

SandRidge Energy, Inc.	Stone Energy Corporation
EPL Oil & Gas, Inc.	Bonanza Creek Energy, Inc.
Resolute Energy Corporation	Rosetta Resources, Inc.
Kodiak Oil & Gas Corp.	Northern Oil and Gas, Inc.
Newfield Exploration Co.	Gulfport Energy Corporation
Oasis Petroleum Inc.	Athlon Energy, Inc.

Sanchez Energy Corporation

Magnum Hunter Resources Corporation

In conjunction with our consideration of 2015 compensation, we asked Longnecker to revisit our compensation peer group and provide advice regarding any recommended changes. Based upon this review, Longnecker recommended changes to our peer group to better reflect our current assets, revenues, oil and natural gas reserves and production mix, market capitalization and enterprise value. Longnecker recommended that for 2015 three companies be removed from our 2014 peer group but that the group otherwise continue intact for 2015. Accordingly, based upon the recommendations of Longnecker, our Compensation Committee approved the following eleven companies to serve as our compensation peer group for 2015:

SandRidge Energy, Inc.	Stone Energy Corporation
Resolute Energy Corporation	Bonanza Creek Energy, Inc.
Newfield Exploration Co.	Rosetta Resources, Inc.
Oasis Petroleum Inc.	Northern Oil and Gas, Inc.
Sanchez Energy Corporation	Gulfport Energy Corporation

Magnum Hunter Resources Corporation

During the early stages of the execution of our business plan, we targeted compensation for our senior management at approximately the 75th percentile (top quartile) of our compensation peer group. We targeted compensation at this level because we considered it necessary for us to recruit, motivate and retain the executive talent capable of executing our rapid growth business strategy and managing our business in a competitive environment, in part because we compete for executive talent with a much broader industry group than our compensation peer group, including larger, more established industry participants, and because our stated willingness to embrace consolidation trends in our industry may increase the uncertainty of future employment with us as compared to some of our competitors. However, our compensation practices take into account, among other factors, corporate performance, projected growth in the Company, an executive's experience and value to the Company, individual performance and the current competitive environment for talented management. Thus, from time to time, we vary targeted compensation and the balance of each element of compensation relative to our compensation peer group depending on our assessment

of these factors and our view of the most effective means of aligning executive compensation with the achievement of our business objectives under the circumstances. Accordingly, in response to our assessment of the factors enumerated above, for 2014 we targeted compensation at the 50th percentile of our 2014 compensation peer group and we altered the mix of awards for our most senior executives, including the use of performance units for the first time. For 2015, based upon the same factors, we have maintained targeted compensation at the 50th percentile of our 2015 compensation peer group, which is largely unchanged from 2014, but in response to increased volatility in both commodity prices and our stock price and in light of the current business environment and compensation practices of our compensation peer group, we have altered the mix of awards for our most senior executives, reverting to our

Table of Contents

historical practice of issuing time-vested restricted stock and utilizing stock option awards in lieu of performance units.

Due to the substantial changes in our Company resulting from the implementation of our strategic business plan, our compensation system has been focused on senior management's success in implementing our strategic objectives in light of internal and external challenges encountered, rather than strictly quantitative improvements in specific, pre-established year-over-year reserves, production or other operating metrics. Our Compensation Committee does consider our corporate performance on various metrics in determining annual cash incentives, including various measures relating to leverage and liquidity, operational efficiency and financial performance, as well as individual performance. As a general matter, the Compensation Committee assigns a relative weight of approximately 50% to corporate performance and 50% to individual performance in considering annual cash incentives; however, ultimately, any such award is entirely discretionary, as our Compensation Committee believes retaining discretion over the amount of such awards is imperative in light of the dynamic nature of the Company's activities, the potential for rapid changes in the business environment and the limitations inherent in quantitative measures of performance under such circumstances. Further, our Compensation Committee views the successful implementation of our goals as a "team" effort and has therefore not established individualized performance targets or goals, although our Compensation Committee does recognize that each member of senior management will contribute to the overall success in the achievement of our goals to varying degrees, and it takes these relative contributions into account when considering compensation generally, and annual cash incentives in particular.

2014 Compensation Program

Elements of Compensation

The principal elements of our executive compensation program are base salary, annual cash incentives, long-term equity incentives and post-termination severance (under certain circumstances), and other benefits and perquisites, consisting of life and health insurance benefits, a qualified 401(k) savings plan, and the reimbursement of certain club dues for our Chief Executive Officer and Chief Financial Officer. From time to time, the Compensation Committee varies the mix of compensation utilized, depending upon the Compensation Committee's current view of the most efficacious method to provide incentives under current market conditions, taking into account the compensation practices of our compensation peer group and the advice of our independent compensation consultant. For 2014, our Compensation Committee altered the mix of long-term equity incentives for certain members of senior management by utilizing performance units, which are described below, for the first time, although the majority of employees continued to receive awards consisting of restricted stock and stock options, with approximately 41% of such awards by value being composed of stock options. Based upon 2014 performance, our Compensation Committee paid annual cash incentives to senior management ranging from approximately 40% of base salary to 100% of base salary, which is discussed in more detail below.

Base Salary

We review base salaries for our chief executive officer and other executives annually to determine if a change is appropriate. In reviewing base salaries, we consider several factors, including a comparison to base salaries paid for comparable positions in our compensation peer group, the relationship among base salaries paid within our Company and individual experience and contributions. Our intent is to fix base salaries at levels that we believe are consistent with our compensation program design objectives, which include a greater emphasis upon the incentive elements of compensation without sacrificing our ability to recruit, motivate and retain executive talent in a competitive environment.

Table of Contents

For 2014, base salaries for the named executive officers were reviewed by our Compensation Committee and with our independent compensation consultant's input and advice and left largely unchanged at 2013 levels, as they approximate the 50th percentile of our 2014 compensation peer group for comparable positions.

Base salaries for all of our named executive officers in 2014 were as follows:

Name	2014 Base Salary
Floyd C. Wilson	\$ 750,000
Stephen W. Herod	\$ 450,000
Mark J. Mize	\$ 400,000
Charles E. Cusack III	\$ 400,000
Tina S. Obut	\$ 275,000

For 2015, we have again maintained the base salaries of the named executive officers at the levels set forth above as such amounts remained competitive utilizing our 2015 compensation peer group targeting the 50th percentile of that group for comparable positions, except that Ms. Obut's base salary has been increased to \$300,000 for 2015.

Annual Cash Incentives

Annual cash incentives for 2014 performance were determined following the end of the year, primarily on the basis of the performance of management relative to operating targets the Compensation Committee established at the beginning of 2014, including production and reserve growth, reductions in proved finding and development (F&D) costs, improvements in cash flow per share and the ratio of our net debt to earnings before interest, taxes, depreciation and amortization (EBITDA). Management was able to meet or exceed the targets established for production and reserve growth and for improvement in F&D costs, although performance fell short of the remaining targets. In light of these accomplishments and taking into account the fact that we did not pay annual incentive awards to our most senior level of management in the prior year, our Compensation Committee awarded annual cash incentives to senior management ranging from approximately 40% of base salary up to approximately 100% of base salary, with the smaller percentage awards being paid to our most senior executives and the larger percentage awards being paid to our less senior executives, on the basis that our most senior executives bear responsibility for our performance across all of the targets set forth above, including those as to which our performance fell short of target, whereas those executives in positions of lower authority are less able to influence such measures.

The Compensation Committee believes that establishing financial or performance targets for senior management serves many useful purposes; however, fundamentally our Compensation Committee believes that retaining discretion over whether to award annual cash incentives and, if so, the amount thereof, is appropriate due to the inherent limitations of quantitative measures of operating or financial performance in light of the Company's current business strategy and activities. In the future, for a variety of reasons, such as to assist in communicating corporate objectives and setting definitive expectations and rewards for senior management, we may elect to establish bonus targets and performance targets that must be met in whole or in part to qualify for annual cash incentives and in conjunction therewith we may limit the discretion of our Compensation Committee or board of directors in determining annual cash incentives. However, as a general matter we do not believe that a formulaic or inflexible compensation program will necessarily provide appropriate incentives or rewards for the performance that we expect and, therefore, particularly given our current business plans and activities, we intend to retain substantial discretion to alter performance factors and targets as circumstances warrant and opportunities arise and, in assessing the performance of the Company or an individual, to take such factors into consideration as we may consider relevant from time to time.

Table of Contents

Accordingly, compensation, including annual cash compensation, may vary greatly from year to year and from executive to executive as a consequence of corporate performance and individual contribution relative to such factors that we may consider important, which may carry varying weight over time depending on the circumstances.

Long-term Incentives

Long-term incentives comprise a significant portion of an executive's compensation package. Long-term incentives are consistent with our objective of providing an "at-risk" component of compensation. As noted above, our business strategy embraces the consolidation trend in our industry and providing long-term incentive award opportunities for senior management and key employees both align their interests with those of our stockholders and help to offset the negative implications that such a strategy may have on our ability to recruit and retain executive talent and key employees.

Historically, we have awarded grants of restricted stock, stock options and, for the first time in 2014, performance units, which we utilized in lieu of stock options, to certain members of senior management, including the named executive officers other than Ms. Obut. Each of these awards is discussed in more detail below. Historically, we have utilized this combination because of the differing risk and reward characteristics of these awards. From time to time, we may utilize a different mix of these awards or utilize other forms of awards, such as stock appreciation rights, each of which is permitted under the Plan and discussed in more detail below, depending upon the Compensation Committee's current view of the most efficacious method to provide incentives under current market conditions and taking into account the practices of our compensation peer group. For example, during 2014, we awarded performance units to most members of senior management in lieu of stock options and utilized a larger percentage of such awards relative to restricted stock than we have in the past. An explanation of the reasons for this change and the operation of the performance units utilized in 2014 is set forth below under the heading "*2012 Long-Term Incentive Plan Performance Units*." Regardless of the nature of the award, our Compensation Committee recommends, and the board of directors approves, the type and amount of awards that will be made to all employees, as well as the type and size of individual grants for each member of senior management other than our Chief Executive Officer, whose compensation is approved by the Compensation Committee.

All grants of equity awards are made in accordance with our Equity-Based Incentive Grant Policy, which sets forth the timing of awards and the procedures for making awards and, in the case of stock options and stock appreciation rights, for determining the exercise price or grant value, respectively, of the award. The amounts granted will vary each year and are based on performance of senior management, our analysis of compensation peer group data and the total compensation package of each member of senior management. Previous awards and grants, whether vested or unvested, may be considered by the Compensation Committee in establishing the current year's awards, but was not a significant influence in our compensation practices for 2014.

As part of its compensation process, our Compensation Committee has also considered whether a member of senior management's investment of his or her own funds in HALRES LLC should factor into equity awards issued by the Company to the members of senior management to the extent that such pre-existing investment serves as an equity-based performance incentive for senior management. Each of our named executive officers and certain of our directors invested in an entity that holds a 10% interest in HALRES LLC and, as a consequence of that investment, these individuals have the opportunity to participate in returns realized by HALRES LLC on the securities held by HALRES LLC and may have the right to participate to a greater extent in HALRES LLC as the returns realized by HALRES LLC achieve certain rate of return thresholds. In general, the Compensation Committee, with the input and advice of its independent compensation consultant, believes that it is in the best interests of the Company to compensate senior management on a competitive basis consistent with the Company's compensation program objectives and overall corporate and individual performance and to do so fairly relative to one another, irrespective of any individual's personal investments.

Table of Contents

The long-term incentive information related to the named executive officers during fiscal year 2014 is included in the Summary Compensation Table set forth below. Additional information on long-term incentive awards for 2014 is shown in the "*Grants of Plan-Based Awards in 2014*" table and the "*Outstanding Equity Awards at December 31, 2014*" table. Information regarding long-term equity incentives granted to the named executive officers subsequent to fiscal 2014 is set forth below under the heading "*Long-Term Incentive Awards Subsequent to Fiscal Year End*."

2012 Long-Term Incentive Plan

We grant equity awards under our First Amended and Restated 2012 Long-Term Incentive Plan, as amended, which for purposes of this discussion we referred to as the "Plan." The Plan was initially established effective May 8, 2006, and was then called the "RAM Energy Resources, Inc. 2006 Long-Term Incentive Plan." Following our recapitalization in February 2012, the plan was amended and restated and renamed the "Halcón Resources Corporation 2012 Long-Term Incentive Plan" effective May 17, 2012, which was approved by the Company's stockholders at the Company's 2012 Annual Meeting of Stockholders held May 17, 2012. Effective February 27, 2013, we again amended and restated the Plan to conform certain provisions relating to a participant's exercise of certain awards under the Plan to the methods of notice and exercise offered by the Company through the online platform provided by a third party administrator of awards under the Plan. Our stockholders approved an amendment to the Plan to increase the number of shares of common stock that may be issued under the Plan at our annual stockholders meeting held on May 23, 2013.

Subject to certain adjustments that may be required from time to time to prevent dilution or enlargement of the rights of participants under the Plan, currently a maximum of 41.5 million shares of common stock may be issued under the Plan, however that includes shares previously issued under the Plan and shares subject to outstanding awards previously issued under the Plan. As of March 17, 2015, a total of 9,225,664 shares of common stock had been granted as restricted stock and were outstanding, 21,418,994 shares were reserved for the exercise of outstanding stock options, 3,208,280 shares were reserved for the vesting of performance units (assuming this maximum number of shares are earned thereunder) and 1,831,074 shares of our common stock remained available for issuance pursuant to the Plan.

The Plan facilitates the issuance of future long-term incentive awards as part of our overall compensation program and is administered by a committee of non-employee directors of our board of directors, currently our Compensation Committee. For the year ended December 31, 2014, substantially all of our eligible employees received awards under the Plan.

The Plan permits granting awards in a wide variety of forms, including options to purchase our common stock, shares of restricted stock, restricted stock units (granting the recipient the right to receive common stock), shares of incentive stock (common stock issued without a restriction period), stock appreciation rights, performance units (settled in common stock or cash) and performance bonuses (settled in common stock or cash). We currently utilize as awards under the Plan only restricted stock, stock options and performance units. No more than 3,400,000 shares of common stock may underlie awards to a single recipient in any calendar year, and performance bonuses may not exceed \$5 million to any recipient in any calendar year.

The Plan will expire on May 16, 2022. No grants will be made under the Plan after that date, but all grants made on or prior to such date will continue in effect thereafter subject to the terms of the award and of the Plan. Our board of directors may, in its discretion, terminate the Plan at any time. The termination of the Plan would not affect the rights of participants or their successors under any awards outstanding and not exercised in full on the date of termination. The board of directors may at any time, and from time to time, amend the Plan in whole or in part. Any amendment that must be approved by our stockholders in order to comply with the terms of the Plan, applicable law or the rules

Table of Contents

of the principal securities exchange, association or quotation system on which our common stock is then traded or quoted will not be effective unless and until such approval has been obtained. The board of directors is not permitted, without the further approval of the stockholders, to make any alteration or amendment that would materially increase the benefits accruing to participants under the Plan, increase the aggregate number of shares that may be issued pursuant to the provisions of the Plan, change the class of individuals eligible to receive awards under the Plan or extend the term of the Plan.

Stock Options

An important objective of our long-term incentive program is to strengthen the relationship between the long-term value of our stock price and the potential financial gain for employees. Stock options provide participants with the opportunity to purchase our common stock at a price fixed on the grant date regardless of future market price. A stock option becomes valuable only if our common stock price increases above the option exercise price and the holder of the option remains employed during the period required for the option to vest, thus providing an incentive for an option holder to remain employed by us. Stock options link the option holder's compensation to stockholders' interests by providing an incentive to increase the market price of our stock.

Option grants to senior management are generally considered annually, in February, after our year-end results become available, while grants to other eligible officers and employees are generally considered in December of each year. Our practice is that the exercise price for each stock option is the market value on the date of grant, which is normally the date that our Compensation Committee approves the award at a meeting of the Compensation Committee or a trading day after our release of earnings or other material nonpublic information in accordance with our Equity-Based Incentive Grant Policy. Our current policy provides for grants to be made or priced only during a trading window, as set forth in our Amended and Restated Insider Trading Policy, and within such window only at such time as there is no material non-public information regarding the Company. Under the Plan, the stock option price may not be less than the fair market value (the closing market price) of the shares on the date of grant. With respect to employees who are not executive officers, the Compensation Committee typically delegates the authority to make such grants to our chief executive officer but specifies the total number of shares that may be subject to grants and the other material terms of the grants. All proposed stock options to new-hire employees are required to be approved by our Compensation Committee. Alternatively, our Compensation Committee may authorize in writing, in advance of any fiscal quarter, the number of shares underlying stock options that may be granted to new-hire employees for the following fiscal quarter and provide that our chief executive officer may allocate such stock options at his discretion.

Stock options generally vest and become exercisable one-third annually after the original grant date. In certain instances, however, stock options may vest on an accelerated basis, such as in the event an executive's employment is terminated by us without cause or by the executive with good reason, in the event that the executive terminates his or her employment within a certain period following a transaction that effects a change in the control of our Company, or in the event of the executive's death or disability while employed by us. Under these circumstances all stock options held by the executive may automatically vest and become exercisable in accordance with the terms outlined in his or her stock option award agreement or employment agreement, if applicable. The employment agreements that we have entered into with the named executive officers provide for all stock options held by each executive to automatically vest and become exercisable in the event his or her employment is terminated by us without cause, by the executive for good reason or with or without good reason within a two-year period following a change of control of our Company.

There is a limited term in which an executive can exercise stock options, known as the "option term." The option term is generally ten years from the date of grant, which is the maximum term of an

Table of Contents

option permitted under the Plan. At the end of the option term, the right to purchase shares pursuant to any unexercised option expires.

Among the named executive officers, only Ms. Obut received stock options during 2014. The exercise prices of stock options granted to Ms. Obut during fiscal year 2014 are shown in the table below entitled "*Grants of Plan-Based Awards in 2014*". Each of the other named executive officers received a mix of restricted stock and performance units. Additional information on these grants, including the number of shares subject to each grant, is shown in the table below entitled "*Grants of Plan-Based Awards in 2014*." The number of shares underlying awards made to the named executive officers for 2014 were determined based upon the value of equity incentive compensation paid by our 2014 compensation peer group targeting the 50th percentile for comparable positions. Where a mix of restricted stock and stock options was utilized, one-half of the award, by dollar value, was awarded in the form of stock options having an exercise price equal to the closing price per share of our common stock on the grant date, and the other half, by dollar value, was awarded in the form of stock options. Where a mix of restricted stock and performance units was utilized, the mixture varied by officer, with 100% performance units by number utilized for our Chief Executive Officer and 75% performance units and 25% restricted stock utilized for each of the other named executive officers receiving performance units. We felt this mix was appropriate based on peer group data and our view of the appropriate allocation of risks and rewards for executives based on their relative influence over our performance, as measured by our stock price.

Restricted Stock Awards

During 2014, we granted restricted stock awards to various officers (including our named executive officers) and key employees under the Plan. Restricted stock awards are shares of our common stock that are awarded with the restriction that the executive remain with us through certain "vesting" dates. Prior to the restrictions thereon lapsing, the participant may not sell, transfer, pledge, assign or take any similar action with respect to the shares of restricted stock which the participant owns. Despite the restrictions, each participant will have full voting rights and will receive any dividends or other distributions, if any, with respect to the shares of restricted stock which the participant owns. Once the restrictions lapse with respect to shares of restricted stock, the participant owning such shares will hold freely-transferable shares, subject only to any restrictions on transfer contained in our certificate of incorporation, bylaws and insider trading policies, as well as any applicable federal or state securities laws.

The Compensation Committee generally does take prior grants into account in the design of future programs and awards. Restricted stock awards to senior management are generally considered annually, in February, after our year-end results become available, while grants to other eligible officers and employees are generally considered in December of each year.

Restricted stock awards provide the opportunity for capital accumulation and more predictable long-term incentive value. The purpose of granting restricted stock awards is to encourage ownership and retention of our senior management and result in business decisions that may drive stock price appreciation. Recognizing that our business is subject to significant fluctuations in commodity prices that may cause the market value of our common stock to fluctuate, we also intended the awards to provide an incentive for senior management to remain with us throughout commodity price and business cycles.

Restricted stock awards generally vest one-third annually after the original award date. As a consequence, the recipients do not become unconditionally entitled to retain any of the shares of restricted stock until one year following the date of grant, subject to certain exceptions related to termination of employment. Any unvested restricted stock awards generally are forfeited if the executive terminates employment with us. In certain instances, however, restricted stock awards may

Table of Contents

vest on an accelerated basis, such as in the event of the executive's employment is terminated by us without cause or by the executive with good reason, in the event that the executive terminates his or her employment within a certain period following a transaction that effects a change in the control of our Company, or in the event of the executive's death or disability while employed by us. Under these circumstances all restricted stock awards held by the executive may automatically vest in accordance with the terms outlined in the restricted stock award agreement or the employment agreement, if applicable. The employment agreements that we have entered into with the named executive officers provide for all restricted stock awards held by an executive to automatically vest in the event his or her employment is terminated by us without cause, by the executive for good reason or by the executive with or without good reason within a two-year period following a change of control of our Company.

The restricted stock grants to the named executive officers during fiscal year 2014 are shown below in the table entitled "*Grants of Plan-Based Awards in 2014*." The number of shares underlying awards made to the named executive officers for 2014 were determined based upon the value of equity incentive compensation paid by our 2014 compensation peer group targeting the 50th percentile for comparable positions. Where a mix of restricted stock and stock options was utilized, one-half of the award, by dollar value, was awarded in the form of stock options having an exercise price equal to the closing price per share of our common stock on the grant date, and the other half, by dollar value, was awarded in the form of restricted stock. Where a mix of restricted stock and performance units was utilized, the mixture varied by officer, with 100% performance units by number utilized for our Chief Executive Officer and 75% performance units and 25% restricted stock utilized for each of the other named executive officers receiving performance units. We felt this mix was appropriate based on peer group data and our view of the appropriate allocation of risks and rewards for executives based on their relative influence over our performance, as measured by our stock price.

Performance Units

In 2014, in lieu of stock options, we issued performance units under the Plan to certain members of senior management, including each of the named executive officers other than Ms. Obut. In deciding to utilize performance units, we considered, with the input and advice of our independent compensation consultant, the compensation practices of our 2014 compensation peer group and other industry participants that utilize performance units, taking into account our overall objective to provide incentives to senior management that are aligned with our stockholders and our business strategy while providing competitive compensation opportunities to senior management. Performance units are designed to provide senior management, including the named executive officers other than Ms. Obut, with incentive opportunities based on the level of achievement of pre-established performance objectives during a specified, typically long-term, performance period. The purpose of the awards is to reinforce our objectives for sustained long-term performance and value creation, to balance short- and long-term decision making and help provide competitive total compensation opportunities.

For 2014, we concluded that under the circumstances performance units offered greater flexibility for us to achieve our goals while utilizing fewer shares than had we utilized stock options for these purposes. Performance units may be structured utilizing a wide array of one or more performance measures. For instance, the Plan permits performance units to utilize one or more of the following:

Reserve additions/replacements

Finding and development costs

Production volume

Production costs

Earnings (Net income, Earnings before interest, taxes, depreciation and amortization ("EBITDA"), Earnings per share)

Table of Contents

Cash flow

Operating income

General and administrative expenses

Debt to equity ratio

Debt to cash flow

Debt to EBITDA

EBITDA to Interest

Return on assets

Return on equity

Return on invested capital

Profit returns/margins

Midstream margins

Stock price appreciation

Total stockholder return

Relative stock price performance

In particular, for 2014 we elected to utilize a single performance measure tied to long-term appreciation in the market price of our common stock so as to maximize the incentives for senior management to focus on this measure of performance. To reinforce these incentives, we also utilized a greater percentage of performance units, by value, relative to restricted stock than the economic split between stock options and restricted stock utilized in the past. In 2014, 75% of long-term equity incentives, by dollar value, for the members of senior management that received performance units consisted of performance units, and 25% consisted of restricted stock, except that all of the long-term equity incentives awarded to our Chief Executive Officer for 2014 were performance units. We felt this mix was appropriate based on peer group data and our view of the appropriate allocation of risks and rewards for executives based on their relative influence over our performance, as measured by stock price.

The performance units issued in 2014 provide that the number of shares the executive receives upon vesting will vary if the market price of our common stock exceeds certain pre-established thresholds as measured by the average of the adjusted closing price of a share of our common

Edgar Filing: HALCON RESOURCES CORP - Form PRE 14A

stock during the sixty trading days preceding the third anniversary of issuance, or the measurement date. The performance awards utilize \$4.00 as the floor price, below which the performance units will not vest and will expire. If the average market price at the measurement date is equal to \$4.00, the performance units will vest and represent the right to receive 50% of the number of shares of common stock underlying the performance units. At \$7.00, the performance units will vest and represent the right to receive the full number of shares of common stock underlying the performance units; and at \$10.00, the performance units will vest and represent the right to receive 200% of the number of shares of common stock underlying the performance units. All stock price targets are subject to customary adjustments based upon changes in our capital structure. In the event the average market price falls between targeted price thresholds, the performance units will vest and represent the right to receive a proportionate number of shares, e.g., 75% of the number of shares of common stock underlying the performance units if the average market price at such time is \$5.50, 150% of the number of shares of common stock underlying the performance units if the average market price at such time is \$8.50, and so forth.

Table of Contents

The Plan allows performance units to be settled in cash, stock, or a combination of cash and stock; however, we expect the performance units we issued in 2014 to be settled in shares of our common stock. Performance units are subject to forfeiture under certain circumstances and vesting may also be accelerated under similar circumstances as awards of restricted stock or stock options.

Information regarding long-term equity incentives granted to the named executive officers subsequent to fiscal 2014 is set forth below under the heading "*Long-Term Incentive Awards Subsequent to Fiscal Year End.*" As noted above, for 2015 our Compensation Committee, with the input and advice of Longnecker, reverted to its historical practice of utilizing a mixture of restricted stock and stock options having an exercise price equal to the closing price per share of our common stock on the grant date, with approximately one-half of the award, by dollar value, being in the form of restricted stock and the other half, by dollar value, awarded in the form of restricted stock. For 2015, we discontinued our use of performance units in response to increased volatility in both commodity prices and our stock price and in light of the current business environment and compensation practices of our peer group.

Retirement Benefits

We do not maintain a defined benefit pension plan or retiree medical program that covers members of senior management. Retirement benefits to our senior management, including the named executive officers, are currently provided principally through a tax-qualified profit sharing and 401(k) plan (our "Savings Plan"), in which eligible salaried employees may participate. Pursuant to the Savings Plan, employees may elect to reduce their current annual compensation up to the lesser of 75% or the statutorily prescribed limit of \$17,500 in calendar year 2014 (plus up to an additional \$5,500 in the form of "catch-up" contributions for participants age 50 and above), and have the amount of any reduction contributed to the Savings Plan. Our Savings Plan is intended to qualify under sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"), so that contributions by us or our employees to the Savings Plan and income earned on contributions are not taxable to employees until withdrawn from the Savings Plan and so that contributions will be deductible by us when made. We match 100% of the amount an employee contributes to the Savings Plan, subject to a 10% maximum based on the employee's compensation as defined in the Savings Plan. Members of senior management participate in the Savings Plan on the same basis as other eligible employees.

The Savings Plan provides for various investment options, for which the participant has sole discretion in determining how both the employer and employee contributions are invested. The independent trustee of the Savings Plan then invests the assets of the Savings Plan as directed by participants. The Savings Plan does not provide our employees the option to invest directly in our securities. The Savings Plan offers in-service withdrawals in the form of after-tax account distributions and age 59.5 distributions.

We believe that the Savings Plan supports the objectives of our compensation structure, including the ability to recruit and retain senior and experienced mid- to late-career executive talent for critical positions within our organization.

Outstanding Equity Awards Under the Plan

The following tables represent outstanding equity awards under the Plan as of December 31, 2014. We do not issue awards under any other plan.

	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Average Remaining Contractual Life (Years)
Stock Options	18,923,710	\$ 5.05	8.7

Table of Contents

	Number of Securities to be Issued Upon Vesting
Restricted Stock	10,344,459

	Threshold	Maximum
Performance Units	802,070	3,208,280

As of December 31, 2014 a total of 5,085,687 shares of our common stock were available for future grants under the Plan. As of February 26, 2015, approximately 1,318,277 shares of our common stock are available for future grants under the Plan.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

During 2012, we entered into employment agreements with each member of our senior management, including Messrs. Wilson, Herod, Mize and Cusack and with Ms. Obut in 2013. Strong competition for management talent and uncertainty associated with our business plan and our stated willingness to embrace consolidation trends in our industry led us to conclude that it was appropriate and in our best interests to enter into employment agreements with each of such named executive officers.

Term of Employment Agreements

The initial term of employment of Mr. Wilson was for a term of two years from June 1, 2012, the effective date of his employment agreement, which the Company elected to renew for an additional two years effective June 1, 2014. The initial term of employment of each of Messrs. Herod, Mize and Cusack was originally until December 31, 2013 and with Ms. Obut until February 27, 2014, with automatic one-year extensions unless either party provides written notice thirty days prior to expiration of the initial term or any extension. Our failure to renew an executive's employment agreement will be considered a termination without cause under each employment agreement.

Compensation and Benefits

The salary payable to each of the named executive officers during 2014 is the amount set forth under the heading " 2014 Compensation Program Base Salary" in the table above. The salary of each named executive officer is subject to periodic review and may be increased from time to time by the Compensation Committee. Each named executive officer is eligible to receive bonuses, grants of stock options, restricted stock or other equity awards as determined in the discretion of the Compensation Committee. Each of the named executive officers is also entitled to reimbursement for reasonable business expenses and to participate in our life, health, and dental insurance programs, and all other employee benefit plans which we may, from time to time, make available. We do not provide tax gross-ups for compensation or benefits.

Our Chief Executive Officer is entitled under his employment agreement to receive a vehicle allowance and reimbursement for reasonable fees and membership dues for one Houston area country club. Our Chief Financial Officer is entitled under his employment agreement to be reimbursed for reasonable fees and membership dues for one Houston area country club.

Our use of expense reimbursement and perquisites as an element of compensation is limited. We do not view these items as a significant element of our compensation structure but do believe that they can be used in conjunction with base salary to recruit, motivate and retain executive talent in a competitive environment. The Compensation Committee periodically reviews these items provided to determine if they are appropriate and if any adjustments are warranted.

Table of Contents

Termination Provisions and Severance Payments

We may terminate each named executive officer's employment upon disability, and at any time for cause or without cause. Each named executive officer may terminate his or her employment at any time, and such termination will be deemed to be with "good reason" if it is based on a material reduction in base salary; a material reduction in authority, responsibilities or duties or those of the supervisor to whom the named executive officer reports; a material reduction in the budget over which the named executive officer retains authority; a permanent relocation of the named executive officer's principal place of employment to any location outside a fifty mile radius of the location from which named executive officer provides services to the Company; or any uncured material breaches of the employment agreement by us. If the employment of any of the named executive officers is terminated by death or disability, such named executive officer (or his or her personal representative in the event of death) is entitled to receive accrued unpaid base compensation, plus an optional bonus to be determined by the Compensation Committee, and all stock options and other incentive awards held by the named executive officer will become fully vested and immediately exercisable, and all restrictions on any shares of restricted stock will be removed. If the employment of any of the named executive officers is terminated by us for cause, such named executive officer (or his or her personal representative in the event of death) is entitled to receive accrued unpaid base compensation.

If the employment of any named executive officer is terminated by us without cause or by such named executive officer with good reason, and such termination is not within two years after a change in control, such named executive officer will be entitled to the accrued portion of unpaid salary, payment of the greater of a prorated amount of the named executive officer's target bonus for the year in which the termination occurs or a bonus for such year as may be determined by our Compensation Committee in its sole discretion, a severance payment equal to one year's base salary plus the higher of the current year target bonus or the bonus paid for the preceding year, payment of the premiums for medical, vision and dental insurance for the executive and his or her dependents for up to one year following termination, and the full vesting of all unvested options and all restrictions removed from shares of restricted stock.

If such named executive officer is terminated by us without cause or such named executive officer terminates his or her employment with the Company *with or without* good reason, and such termination is within two years after a change in control, such named executive officer will be entitled to receive the accrued portion of unpaid salary, payment of the greater of a prorated amount of the named executive officer's target bonus for the year in which the termination occurs or a bonus for such year as may be determined by our Compensation Committee in its sole discretion, a severance payment equal to a multiple (which varies by individual) of base salary plus the higher of the current year target bonus or the bonus paid for the year prior to termination or the year in which the change of control occurred, payment of the premiums for medical, vision and dental insurance for the executive and his or her dependents for up to eighteen months following termination, and the full vesting of all unvested options and all restrictions removed from shares of restricted stock. The multiplier for Mr. Wilson is 3.0, for Messrs. Herod, Mize and Cusack it is 2.5 and for Ms. Obut, it is 2.0. In addition, if a bonus for the named executive officer for the year immediately preceding the termination has been determined but not paid as of the date of termination, the named executive officer will be paid the bonus so determined; and if such a bonus has not been determined, then the named executive officer will be paid a bonus equal to the greater of such named executive officer's target bonus for such year, or for the year in which the termination occurs or the change of control occurs, or the bonus paid to executive for the year immediately preceding the year in which the change of control occurs. If the employment of such named executive officer is terminated by such named executive officer without good reason and not within two years after a change in control, such named executive officer is entitled to receive accrued unpaid base compensation.

Table of Contents

The employment agreements with the named executive officers generally define a change of control to mean any of the following events:

any person or group becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 35% of the total voting power of our outstanding voting stock;

our merger with or consolidation into another entity and, immediately after giving effect to the merger or consolidation, one or both of the following occurs: (a) less than 50% of the total voting power of the outstanding voting stock of the surviving or resulting entity is then "beneficially owned" in the aggregate by our stockholders immediately prior to such merger or consolidation, or (b) the individuals who were members of our board of directors immediately prior to the execution of the agreement providing for the merger or consolidation do not constitute at least a majority of the members of the board of directors of the surviving or resulting entity;

we sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of our assets to a third party in one transaction or a series of related transactions;

individuals who constitute our board of directors cease for any reason to constitute at least a majority of our board of directors unless such persons were elected, appointed or nominated by a vote of at least a majority of our incumbent directors; or

the complete liquidation or dissolution of our Company.

In our view, having the change of control and severance protections helps to maintain the named executive officer's objectivity in decision-making and provides another vehicle to align the interests of our named executive officers with the interests of our stockholders.

The following table sets forth the estimated amounts that would be payable to each of the named executive officers upon a termination under the scenarios outlined above, excluding termination for cause or on account of death or disability, assuming that such termination occurred on December 31, 2014 and using the closing price of our common stock at December 31, 2014 for purposes of the calculations as required by the SEC. The dollar amounts set forth under the column heading "*Early Vesting of Restricted Stock/Options/PSUs*" correspond to the amounts that would be paid, in addition to accrued and unpaid salary through the date of death or disability, in the event of the death or disability

Table of Contents

at year-end of each of the executives. There can be no assurance that these scenarios would produce the same or similar results as those disclosed if a termination occurs in the future.

	Severance Payment(1)	Early Vesting of Restricted Stock/ Options/PSUs(2)	Other(3)	Total
<i>Without Cause/For Good Reason</i>				
Floyd C. Wilson	\$ 1,500,000	\$ 346,683	\$ 27,638	\$ 1,874,321
Stephen W. Herod	\$ 900,000	\$ 339,072	\$ 27,638	\$ 1,266,710
Mark J. Mize	\$ 800,000	\$ 298,533	\$ 27,638	\$ 1,126,171
Charles E. Cusack III	\$ 800,000	\$ 194,428	\$ 27,638	\$ 1,022,066
Tina S. Obut	\$ 550,000	\$ 445,564	\$ 16,253	\$ 1,011,817
<i>Following Change of Control</i>				
Floyd C. Wilson	\$ 4,500,000	\$ 346,683	\$ 41,457	\$ 4,888,140
Stephen W. Herod	\$ 2,250,000	\$ 339,072	\$ 41,457	\$ 2,630,529
Mark J. Mize	\$ 2,000,000	\$ 298,533	\$ 41,457	\$ 2,339,990
Charles E. Cusack III	\$ 2,000,000	\$ 194,428	\$ 41,457	\$ 2,235,885
Tina S. Obut	\$ 1,100,000	\$ 445,564	\$ 24,380	\$ 1,569,944

- (1) Represents total annual compensation (2014 salary plus target bonus calculated in accordance with the terms of the employment agreement) multiplied, in the event of a change of control, by the applicable multiplier contained in each officer's employment agreement.
- (2) As reflected above, the value of unvested restricted stock, stock options and performance units that would vest under each of these termination scenarios is based on our common stock price at December 31, 2014. Accordingly, reflects no payout on account of out of the money stock options or performance units.
- (3) Represents an estimate of health insurance benefits to be provided to the named executive officer and each eligible dependent under each of the scenarios based on actual amounts paid out in 2014.

Board Representation

Mr. Wilson's employment agreement provides that he will be nominated as a member of our board of directors, and that we will use our best efforts to cause him to be elected, appointed, or re-elected or re-appointed, as a director.

Indemnity Agreements

We have entered into an indemnity agreement with each of our independent, non-management directors and Messrs. Wilson and Mize. These agreements provide for us to, among other things, indemnify such persons against certain liabilities that may arise by reason of their status or service as directors or officers, to advance their expenses incurred as a result of a proceeding as to which they may be indemnified and to cover such person under any directors' and officers' liability insurance policy we choose, in our discretion, to maintain. These indemnity agreements are intended to provide indemnification rights to the fullest extent permitted under applicable indemnification rights statutes in the State of Delaware and are in addition to any other rights such person may have under our certificate of incorporation, bylaws and applicable law. We believe these indemnity agreements enhance our ability to recruit and retain knowledgeable and experienced executives and independent, non-management directors.

Table of Contents**Tax Deductibility**

Section 162(m) of the Code limits the deductibility of compensation in excess of \$1 million paid to our chief executive officer and our three next most highly compensated executive officers (other than our principal financial officer) unless the compensation is performance-based as determined by applying certain specific and detailed criteria. We believe that it is often desirable and in our best interests to deduct compensation payable to our executive officers. However, we also believe that there are circumstances where our interests are best served by maintaining flexibility in the way compensation is provided, even if it might result in the non-deductibility of certain compensation under the Code. In this regard, we consider the anticipated tax treatment to our Company and our executive officers in the review and establishment of compensation programs and payments; however, we may pay compensation to our executives that may not be deductible, including discretionary bonuses or other types of compensation outside of our plans.

Although equity awards may be deductible for tax purposes by us, the accounting rules pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Options (the successor to FASB Statement No. 123 (revised 2004) ("ASC Topic 718")) require that the portion of the tax benefit in excess of the financial compensation cost be recorded to paid-in-capital.

Summary Compensation Table

The table below sets forth information regarding compensation for our named executive officers for the years indicated (commencing with the first year in which such officer became one of our named executive officers):

Name and Principal Position	Year	Salary(1)	Bonus(2)	Stock Awards(3)	Option/SAR Awards(3)	All Other Compensation(4)	Total
Floyd C. Wilson	2014	\$ 750,000	\$ 322,500	\$ 2,058,065		\$ 27,461	\$ 3,158,026
Chairman of the Board and Chief Executive Officer	2013	\$ 750,000		\$ 1,950,015	\$ 1,559,181	\$ 30,042	\$ 4,289,238
	2012	\$ 450,000	\$ 1,200,000	\$ 354,550	\$ 1,237,100	\$ 24,651	\$ 3,266,301
Stephen W. Herod	2014	\$ 450,000	\$ 193,500	\$ 1,140,473		\$ 25,975	\$ 1,809,948
President	2013	\$ 450,000		\$ 1,000,035	\$ 799,448	\$ 24,593	\$ 2,274,076
	2012	\$ 250,000	\$ 800,000	\$ 253,250	\$ 1,053,938	\$ 560	\$ 2,357,748
Mark J. Mize	2014	\$ 400,000	\$ 172,000	\$ 997,882		\$ 31,266	\$ 1,601,148
Executive Vice President, Chief Financial Officer and Treasurer	2013	\$ 400,000		\$ 875,004	\$ 699,692	\$ 29,254	\$ 2,003,950
	2012	\$ 262,500	\$ 700,000	\$ 253,250	\$ 989,680	\$ 24,497	\$ 2,229,927
Charles E. Cusack III	2014	\$ 400,000	\$ 172,000	\$ 776,185		\$ 25,996	\$ 1,374,181

In connection with the acquisition of Cashland, the Company increased the total commitment under its U.S. line of credit from \$90.0 million to \$135.0 million and extended the maturity date of this line of credit for an additional year to July 31, 2006. The interest rate on the line of credit varies from 1.5% to 2.25% over LIBOR, depending on the Company's cash flow leverage ratio as defined in the credit agreement. The Company pays a fee of 0.375% per annum on the unused portion of this line of credit. The amended agreement also changed certain financial ratios that the Company has to maintain. At December 31, 2003, there was \$68.1 million outstanding on this line of credit. See Note 8 of Notes to Consolidated Financial Statements.

The Company extended its multi-currency line of credit to April 30, 2006 and increased the maximum amount to £20.0 million (approximately

\$35.7 million at December 31, 2003) from £15.0 million (approximately \$26.8 million at December 31, 2003). Funds may be drawn in British pounds, bearing interest at the bank's cost of funds plus a margin of 75 basis points. Funds up to the equivalent of £10.0 million may be drawn in alternative currencies, including Swedish kronor, bearing interest at the bank's cost of funds plus a margin of 75 basis points. In the aggregate, the British pound and Swedish kronor drawings may not exceed the equivalent of £20.0 million. The Company pays a fee of 0.25% per annum on the unused portion of this line of credit. The interest rates on the British pound and Swedish kronor borrowings at December 31, 2003 were 4.56% and 3.50%, respectively. As of December 31, 2003, amounts outstanding under this line of credit were £5.3 million (approximately \$9.4 million) and SEK 23.5 million (approximately \$3.2 million) for an aggregate \$12.6 million. The Company also extended its SEK 15.0 million line of credit (approximately \$2.1 million as of December 31, 2003) with a commercial bank to mature on May 30, 2004. Interest on this line of credit is charged at the bank's base funding rate plus 1%. There were no amounts outstanding on this line of credit as of December 31, 2003.

The credit agreements and the senior unsecured notes require the Company to maintain certain financial ratios. The Company is in compliance with all covenants and other requirements set forth in its debt agreements. A significant decline in demand for the Company's products and services may cause the Company to reduce its planned level of capital expenditures and lower its working capital needs in order to maintain compliance with the financial ratios in those agreements. A violation of the credit agreements could result in an acceleration of the Company's debt and increase the Company's borrowing costs

and could even adversely affect the Company's ability to renew existing credit facilities, or obtain access to new credit facilities in the future. The Company does not anticipate a significant decline in demand for its

Table of Contents

services and has historically been successful in maintaining compliance with and renewing its debt agreements.

During 2003, the Company received proceeds of \$17.6 million of equity from the exercise of stock options. Options for 864,950 shares were exercised by several members of its Board of Directors and some of the Company's officers and employees exercised options for 1,549,489 shares. Separately, the Chairman of its Board of Directors sold 139,400 shares of common stock that had been pledged to the Company to secure a loan under the Company's now discontinued officer stock loan program. The proceeds of \$1.7 million from the sale were used to repay the loan in full. The Company's Chief Executive Officer and other officers also made principal and interest payments totaling \$1.8 million toward such loans.

The following table summarizes the Company's contractual obligations at December 31, 2003, and the effect such obligations are expected to have on its liquidity and cash flow in future periods, assuming that the Company's lines of credit are not renewed or extended in future periods (in millions):

	Lines of Credit	Other Long-Term Debt	Non-cancelable Leases for Continuing Operations	Total
	_____	_____	_____	_____
2004	\$	\$ 8.2	\$23.8	\$ 32.0
2005		16.8	18.2	35.0
2006	80.8	16.8	13.8	111.4
2007		16.8	9.7	26.5
2008		12.8	6.1	18.9
Thereafter		8.5	17.9	26.4
	_____	_____	_____	_____
Total	\$80.8	\$79.9	\$89.5	\$250.2
	_____	_____	_____	_____

Management believes that borrowings available under the credit facilities, cash generated from operations and current working capital of \$232.2 million should be sufficient to meet the Company's anticipated future capital requirements.

RECENT ACCOUNTING PRONOUNCEMENTS

See discussion in Note 2 of Notes to the Consolidated Financial Statements.

CAUTIONARY STATEMENT REGARDING RISKS AND UNCERTAINTIES THAT MAY AFFECT FUTURE RESULTS

This Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains statements that are forward-looking, as that term is defined by the Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission in its rules. The Company intends that all forward-looking statements be subject to the safe harbors created by these laws and rules. When used in this Annual Report on Form 10-K, the words believes, estimates, plans, expects, anticipates, and similar expressions they relate to the Company or its management are intended to identify forward-looking statements. All

forward-looking statements are based on current expectations regarding important risk factors. These risks and uncertainties are beyond the ability of the Company to control, and, in many cases, the Company cannot predict all of the risks and uncertainties that could cause its actual results to differ materially from those expressed in the forward-looking statements. Accordingly, actual results may differ materially from those expressed in the forward-looking statements, and such statements should not be regarded as a representation by the Company or any other person that the results expressed in the statements will be achieved. Important risk factors that could cause results or events to differ from current expectations are described below. These factors are not

Table of Contents

intended to be an all-encompassing list of risks and uncertainties that may affect the operations, performance, development and results of the Company's business.

Risk Factors

Changes in customer demand for the Company's products and specialty financial services. Although the Company's products and services are a staple of its customer base, a significant change in the needs or wants of customers and the Company's failure to adapt to those needs or wants could result in a significant decrease in the revenues of the Company.

The actions of third-parties who offer products and services at the Company's locations. The Company makes products and services available to its customers through various third parties. A failure of a third-party provider to provide its product or service or to maintain the quality and consistency of its product or service could result in a loss of customers and a related loss in revenue from those products or services.

The ability of the Company to open and acquire new operating units in accordance with its plans. The Company's expansion program is subject to numerous factors which cannot be predicted or controlled, such as the availability of attractive acquisition candidates and the Company's ability to attract, train and retain qualified unit management personnel. Another such factor is the availability of sites with acceptable restrictions and suitable terms and general economic conditions.

Changes in competition from various sources such as banks, savings and loans, short-term consumer lenders, and other similar financial services entities, as well as retail businesses that offer products and services offered by the Company. The Company encounters significant competition in connection with its lending and merchandise disposition operations from other pawnshops, cash advance companies and other forms of financial institutions such as consumer finance companies. Significant increases in these competitive influences could adversely affect the Company's operations through a decrease in the number of cash advances and pawn loans originated, resulting in lower levels of earning assets in these categories.

Changes in economic conditions. While the credit risk for most of the Company's consumer lending is mitigated by the collateralized nature of pawn lending, a sustained deterioration in the economic environment could adversely affect the Company's operations through a deterioration in performance of its pawn loan or cash advance portfolios, or by reducing consumer demand for the purchase of pre-owned merchandise.

Real estate market fluctuations. A significant rise in real estate prices could result in an increase in the cost of store leases as the Company opens new locations and renews leases for existing locations.

Interest rate fluctuations. Although the weakness in the U.S. economy over the past several quarters has resulted in relatively low interest rates offered by lending institutions, an eventual economic recovery could result in a rise in interest rates which would, in turn, increase the cost of borrowing to the Company.

Changes in the capital markets. The Company regularly accesses the debt capital markets to refinance existing debt obligations and to obtain capital to finance growth. Efficient access to these markets is critical to the Company's ongoing financial success; however, the Company's future access to the debt capital markets could become restricted should the Company experience deterioration of its cash flows, balance sheet quality, or overall business or industry prospects.

Changes in tax and other laws and governmental rules and regulations applicable to the specialty financial services industry. The Company's lending activities are subject to extensive regulation and supervision under

various federal, state and local laws, ordinances and regulations. The Company faces the risk that new laws and regulations could be enacted that could have a negative impact on the Company's domestic or international lending activities.

Other factors discussed under Quantitative and Qualitative Disclosures about Market Risk.

Other risks indicated in the Company's filings with the Securities and Exchange Commission.

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to the Company's operations result primarily from changes in interest rates, foreign exchange rates and gold prices. The Company does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes.

Interest Rate Risk. Management's objective is to minimize the cost of borrowing through an appropriate mix of fixed and floating rate debt. Derivative financial instruments, such as interest rate cap agreements, may be used for the purpose of managing fluctuating interest rate exposures that exist from ongoing business operations. After considering the effectiveness, if any, of the interest rate cap agreements, the Company had net variable rate borrowings outstanding of \$80.8 million and \$56.2 million at December 31, 2003 and 2002, respectively. If prevailing interest rates were to increase 100 basis points over the rates at December 31, 2003 and 2002, respectively, and the variable rate borrowings outstanding remained constant, the Company's interest expense would increase by \$0.8 million and \$0.6 million, and net income after taxes would decrease by \$0.5 million and \$0.4 million in 2003 and 2002, respectively. If prevailing interest rates were to decrease 100 basis points from the rates at December 31, 2003 and 2002, respectively, the combined fair values of the Company's outstanding fixed rate plus capped rate debt (\$84.5 million and \$96.5 million, respectively) would increase by \$2.4 million and \$3.1 million as of December 31, 2003 and 2002, respectively.

Foreign Exchange Risk. The Company is subject to the risk of unexpected changes in foreign currency exchange rates by virtue of its operations in the United Kingdom and Sweden. Foreign assets, liabilities, and earnings are translated into U.S. dollars for consolidation into the Company's financial statements. As a result of fluctuations in foreign currency exchange rates, the Company has recorded cumulative other comprehensive income of \$8.0 million and loss of \$2.7 million at December 31, 2003 and 2002, respectively. A hypothetical 10% decline in the exchange rates of the British pound and the Swedish kronor at December 31, 2003 and 2002, would have resulted in additional other comprehensive losses of \$9.0 million and \$7.2 million, respectively.

Net income from foreign operations during 2003, 2002 and 2001 translated to \$8.0 million, \$6.6 million and \$5.4 million, respectively. A hypothetical 10% decline in the weighted average exchange rates for each of the foreign currencies during the years ended December 31, 2003, 2002 and 2001, would have decreased net income by \$0.8 million, \$0.7 million and \$0.5 million, respectively.

At this time, the Company does not use derivative instruments to manage exchange rate risk of net investments in or earnings of its foreign operations. In the event the Company was to temporarily transfer funds between currencies, it would concurrently enter into short-term currency swaps to eliminate the risk of currency fluctuations. No foreign currency swaps were outstanding at December 31, 2003 or 2002.

Gold Price Risk. The Company periodically uses forward sale contracts with a major gold bullion bank to sell a portion of the expected amount of refined gold produced in the normal course of business from its liquidation of forfeited gold merchandise. A significant decrease in the price of gold would result in a reduction of proceeds from the disposition of refined gold to the extent that amounts sold were in excess of the amount of contracted forward sales. In addition, a significant and sustained decline in the price of gold would negatively impact the value of goods pledged as collateral by customers and identified for liquidation as refined gold. In this instance, management believes most customers would be willing to add additional items of value to their pledge in order to obtain the desired loan amount. However, those customers unable or unwilling to provide additional collateral would receive lower loan amounts, possibly resulting in a lower balance of pawn loans outstanding for the Company.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm	43
Consolidated Balance Sheets December 31, 2003 and 2002	44
Consolidated Statements of Operations Years Ended December 31, 2003, 2002 and 2001	45
Consolidated Statements of Stockholders Equity Years Ended December 31, 2003, 2002 and 2001	46
Consolidated Statements of Comprehensive Income (Loss) Years Ended December 31, 2003, 2002 and 2001	46
Consolidated Statements of Cash Flows Years Ended December 31, 2003, 2002 and 2001	47
Notes to Consolidated Financial Statements	48

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Cash America International, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity, comprehensive income (loss) and cash flows present fairly, in all material respects, the financial position of Cash America International, Inc. and its subsidiaries at December 31, 2003 and December 31, 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 6 to the financial statements, the Company adopted Statement of Financial Accounting Standards No. 142 *Goodwill and Other Intangible Assets* (SFAS 142) and changed its method of accounting for Goodwill and Other Intangible Assets during 2002.

As discussed in Note 2 to the financial statements, the Company has restated its statement of cash flows for the years ended December 31, 2003, 2002 and 2001.

PricewaterhouseCoopers LLP

Fort Worth, Texas
February 23, 2004, except for the second paragraph of Note 2,
as to which the date is September 20, 2004

Table of Contents**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS***(in thousands, except share data)*

	December 31,	
	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,547	\$ 3,951
Pawn loans	141,871	127,388
Cash advances, net	28,346	2,210
Merchandise held for disposition, net	56,120	54,444
Finance and service charges receivable	23,568	21,096
Other receivables and prepaid expenses	10,628	8,671
Income taxes recoverable	3,208	
Deferred tax assets	6,868	5,392
	<hr/>	<hr/>
Total current assets	285,156	223,152
Property and equipment, net	78,977	67,254
Goodwill	117,963	79,833
Other assets	7,436	6,239
	<hr/>	<hr/>
Total assets	\$489,532	\$376,478
	<hr/>	<hr/>
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 39,167	\$ 24,920
Customer deposits	4,102	4,050
Income taxes currently payable	1,386	2,086
Current portion of long-term debt	8,286	12,571
	<hr/>	<hr/>
Total current liabilities	52,941	43,627
Deferred tax liabilities	7,704	4,385
Long-term debt	152,394	136,131
Commitments and contingencies (Note 10)		
Stockholders equity:		
Common stock, \$.10 par value per share, 80,000,000 shares authorized; 30,235,164 shares issued in 2003 and 2002	3,024	3,024
Additional paid-in capital	141,867	127,819
Retained earnings	141,642	113,278

Edgar Filing: HALCON RESOURCES CORP - Form PRE 14A

Accumulated other comprehensive income (loss)	7,995	(2,718)
Notes receivable secured by common stock	(2,488)	(5,864)
Treasury shares, at cost (2,040,180 shares in 2003 and 5,939,794 shares in 2002)	(15,547)	(43,204)
	<u> </u>	<u> </u>
Total stockholders' equity	276,493	192,335
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$489,532	\$376,478
	<u> </u>	<u> </u>

See notes to consolidated financial statements.

Table of Contents**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS***(in thousands, except per share data)*

	Years Ended December 31,		
	2003	2002	2001
Revenue			
Finance and service charges	\$129,307	\$118,248	\$113,863
Proceeds from disposition of merchandise	254,604	245,943	231,879
Cash advance fees	46,955	19,084	5,993
Check cashing royalties and fees	6,811	4,568	4,194
	<hr/>	<hr/>	<hr/>
Total Revenue	437,677	387,843	355,929
Cost of Revenue			
Disposed merchandise	160,013	160,711	150,991
	<hr/>	<hr/>	<hr/>
Net Revenue	277,664	227,132	204,938
	<hr/>	<hr/>	<hr/>
Expenses			
Operations	158,923	137,898	129,681
Cash advance loss provision	10,756	6,676	2,301
Administration	37,545	29,559	25,722
Depreciation and amortization	16,141	14,959	16,629
	<hr/>	<hr/>	<hr/>
Total Expenses	223,365	189,092	174,333
	<hr/>	<hr/>	<hr/>
Income from Operations	54,299	38,040	30,605
Interest expense, net	9,178	8,961	9,619
Loss from derivative valuation fluctuations		177	557
Gain from disposal of asset	(1,013)		
	<hr/>	<hr/>	<hr/>
Income from Continuing Operations before Income Taxes	46,134	28,902	20,429
Provision for income taxes	16,098	10,393	7,704
	<hr/>	<hr/>	<hr/>
Income from Continuing Operations	30,036	18,509	12,725
Gain (loss) from discontinued operations		800	(18,631)
	<hr/>	<hr/>	<hr/>

Net Income (Loss)	\$ 30,036	\$ 19,309	\$ (5,906)
Net income (loss) per share:			
Basic -			
Income from continuing operations	\$ 1.17	\$ 0.76	\$ 0.52
Gain (loss) from discontinued operations	\$	\$ 0.03	\$ (0.76)
Net income (loss)	\$ 1.17	\$ 0.79	\$ (0.24)
Diluted -			
Income from continuing operations	\$ 1.13	\$ 0.75	\$ 0.51
Gain (loss) from discontinued operations	\$	\$ 0.03	\$ (0.75)
Net income (loss)	\$ 1.13	\$ 0.78	\$ (0.24)
Weighted average common shares outstanding:			
Basic	25,586	24,424	24,643
Diluted	26,688	24,841	24,963
Dividends declared per common share	\$ 0.065	\$ 0.050	\$ 0.050

See notes to consolidated financial statements.

Table of Contents

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

	Years Ended December 31,					
	2003		2002		2001	
	Shares	Amount	Shares	Amount	Shares	Amount
Common stock						
Balance at end of year	30,235,164	\$ 3,024	30,235,164	\$ 3,024	30,235,164	\$ 3,024
Additional paid-in capital						
Balance at beginning of year		127,819		127,821		127,820
Reissuance of treasury shares		5,597				
Exercise of stock options		(249)		(11)		(7)
Stock-based compensation expense		14				
Tax benefit from exercise of stock options		8,686		9		8
Balance at end of year		141,867		127,819		127,821
Retained earnings						
Balance at beginning of year		113,278		95,192		102,326
Net income (loss)		30,036		19,309		(5,906)
Dividends declared		(1,672)		(1,223)		(1,228)
Balance at end of year		141,642		113,278		95,192
Accumulated other comprehensive income (loss)						
Balance at beginning of year		(2,718)		(10,820)		(8,487)
Foreign currency translation adjustments		10,713		8,102		(2,333)

Balance at end of year	<u>7,995</u>		<u>(2,718)</u>		<u>(10,820)</u>	
Notes receivable secured by common stock						
Balance at beginning of year	(5,864)		(5,890)		(5,755)	
Payments (advances) on notes receivable during year	<u>3,376</u>		<u>26</u>		<u>(135)</u>	
Balance at end of year	<u>(2,488)</u>		<u>(5,864)</u>		<u>(5,890)</u>	
Treasury shares at cost						
Balance at beginning of year	(5,939,794)	(43,204)	(5,643,318)	(40,896)	(5,577,318)	(40,470)
Purchases of treasury shares	(198,158)	(2,320)	(303,851)	(2,362)	(87,500)	(581)
Reissuance of treasury shares	1,533,333	11,208				
Exercise of stock options	<u>2,564,439</u>	<u>18,769</u>	<u>7,375</u>	<u>54</u>	<u>21,500</u>	<u>155</u>
Balance at end of year	<u>(2,040,180)</u>	<u>(15,547)</u>	<u>(5,939,794)</u>	<u>(43,204)</u>	<u>(5,643,318)</u>	<u>(40,896)</u>
Total Stockholders Equity	<u>\$276,493</u>			<u>\$192,335</u>		<u>\$168,431</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	Years Ended December 31,		
	2003	2002	2001
Net income (loss)	<u>\$ 30,036</u>	\$ 19,309	\$ (5,906)
Other comprehensive income (loss) net of tax of \$0			
Foreign currency translation adjustments	<u>10,713</u>	<u>8,102</u>	<u>(2,333)</u>

Total Comprehensive Income (Loss)	\$40,749	\$27,411	\$(8,239)
-----------------------------------	-----------------	----------	-----------

See notes to consolidated financial statements.

Table of Contents

**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	Years Ended December 31,		
	2003	2002	2001
	(Restated)	(Restated)	(Restated)
Cash Flows from Operating Activities:			
Net income (loss)	\$ 30,036	\$ 19,309	\$ (5,906)
Less: Gain (loss) from discontinued operations		800	(18,631)
	30,036	18,509	12,725
Income from continuing operations			
Adjustments to reconcile income from continuing operations to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	16,141	14,959	16,629
Cash advance loss provision	10,756	6,676	2,301
Stock-based compensation expense	14		
Gain from disposal of assets	(1,013)		
Loss from derivative valuation fluctuations		177	557
Changes in operating assets and liabilities			
Merchandise held for disposition	1,827	5,495	3,402
Finance and service charges receivable	(1,505)	(931)	274
Other receivables and prepaid expenses	1,381	(3,304)	(620)
Accounts payable and accrued expenses	13,743	(5,252)	13,975
Customer deposits, net	8	89	23
Current income taxes, net	4,738	923	3,752
Deferred income taxes, net	1,460	6,632	(5,374)
	77,586	43,973	47,644
Net cash provided by operating activities of continuing operations			
Cash Flows from Investing Activities:			
Pawn loans made	(400,133)	(372,080)	(366,844)
Pawn loans repaid	257,123	235,533	227,981
Principal recovered on forfeited loans through dispositions and auctions	137,610	136,808	130,416
Cash advances made, assigned or purchased	(181,190)	(37,325)	(14,661)
Cash advances repaid	157,592	30,175	11,478
Acquisitions, net of cash acquired	(48,296)	(3,713)	(1,279)
Purchases of property and equipment	(19,196)	(11,327)	(31,829)
Proceeds from dispositions of assets	1,639		790

Net cash used by investing activities of continuing operations	<u>(94,851)</u>	<u>(21,929)</u>	<u>(43,948)</u>
Cash Flows from Financing Activities:			
Net borrowings (repayments) under bank lines of credit	22,612	(58,261)	12,289
Issuance of long-term debt		42,500	
Payments on notes payable, capital leases and other obligations	(12,571)	(9,220)	(9,817)
Change in notes receivable secured by common stock	2,968	288	240
Proceeds from exercise of stock options	18,520	42	120
Treasury shares purchased	(2,320)	(2,362)	(581)
Dividends paid	(1,672)	(1,223)	(1,228)
Net cash provided (used) by financing activities of continuing operations	<u>27,537</u>	<u>(28,236)</u>	<u>1,023</u>
Effect of exchange rate changes on cash	<u>324</u>	<u>604</u>	<u>(18)</u>
Cash provided (used) by continuing operations	10,596	(5,588)	4,701
Cash provided (used) by discontinued operations		3,145	(2,933)
Cash and cash equivalents at beginning of year	<u>3,951</u>	<u>6,394</u>	<u>4,626</u>
Cash and cash equivalents at end of year	<u>\$ 14,547</u>	<u>\$ 3,951</u>	<u>\$ 6,394</u>

See notes to consolidated financial statements.

Table of Contents

**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Nature of the Company

Cash America International, Inc. (the Company) is a provider of specialty financial services to individuals in the United States, United Kingdom, and Sweden. The Company offers secured non-recourse loans, commonly referred to as pawn loans, to individuals through its pawn lending operations. The pawn loan portfolio generates finance and service charges revenue. A related activity of the lending operations is the disposition of merchandise, primarily collateral from unredeemed pawn loans. As an alternative to a pawn loan, the Company offers unsecured cash advances in selected locations and on behalf of a third-party bank in other locations. The Company also provides check cashing and other money services through its consumer finance centers and through its franchised and company owned check cashing centers.

On August 1, 2003, the Company, through its wholly-owned subsidiary Cashland Financial Services, Inc. (Cashland), completed the purchase of substantially all of the assets of Cashland, Inc., a privately-owned consumer finance company based in Dayton, Ohio (see Notes 3 and 22).

As of December 31, 2003, the Company's pawn lending operations consisted of 474 pawnshops, including 398 owned units and 7 franchised units in 17 states in the United States, 57 units in the United Kingdom, and 12 units in Sweden. The foreign operations consist primarily of jewelry-only lending units. As of December 31, 2003, the Company's U.S. lending operations also included 19 locations that offer only the cash advance product.

As of December 31, 2003, Cashland owned and operated 135 consumer finance centers that offer cash advances, check cashing and other money services in 2 states.

As of December 31, 2003, Mr. Payroll's operations consisted of 129 franchised and 6 company owned check cashing centers in 20 states.

2. Summary of Significant Accounting Policies

Basis of Presentation The consolidated financial statements include the accounts of the Company's majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

In September 2001, the Company announced plans to exit the rent-to-own business in order to focus on its core lending business. In June 2002, the Company sold the remaining assets of its rent-to-own business. The consolidated financial statements of the Company have been reclassified to reflect the disposition of the rental business segment. See Note 17.

Table of Contents

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

Restatements In addressing comments from the staff of the Securities and Exchange Commission, the Company restated its Consolidated Statements of Cash Flows to eliminate certain non-cash items and reclassify certain items between operating cash flows and investing cash flows. The restated amounts reflect solely a reclassification in the Consolidated Statements of Cash Flows to eliminate the amounts of forfeited pawn loans during the applicable period, previously reported when the pawn loan amount was fully satisfied through a forfeiture of the pledged goods which were then transferred to goods available for disposition, to reporting the principal amount collected on those loans in the period when the forfeited collateral is sold. Any proceeds received in excess of the principal amount loaned are reported as operating cash flows. In addition, pawn loans renewed and cash advances renewed are no longer included in the Consolidated Statements of Cash Flows. See Note 16.

Following is a summary of the effect of the restatement on the Company's Consolidated Statements of Cash Flows (in thousands):

	2003		2002		2001	
	Previously Reported	As Restated	Previously Reported	As Restated	Previously Reported	As Restated
Cash Flows from Operating Activities:						
Changes in operating assets and liabilities - Merchandises held for disposition	\$ (222)	\$ 1,827	\$ 9,713	\$ 5,495	\$ (4,437)	\$ 3,402
Net cash provided by operating activities	75,537	77,586	48,191	43,973	39,805	47,644
Cash Flows from Investing Activities:						
Pawn loans forfeited and transferred to merchandise held for disposition	139,659		132,590		138,255	
Pawn loans made, including loans renewed	(441,008)		(408,467)		(403,724)	
Pawn loans made		(400,133)		(372,080)		(366,844)
Pawn loans repaid or renewed	297,998		271,920		264,861	
Pawn loans repaid		257,123		235,533		227,981
Principal recovered on forfeited loans through dispositions and auctions		137,610		136,808		130,416
Cash advances made, assigned or purchased	(187,159)	(181,190)	(41,367)	(37,325)	(17,083)	(14,661)

Cash advances repaid or renewed	163,561		34,217		13,900	
Cash advances repaid		157,592		30,175		11,478
Net cash used by investing activities	(92,802)	(94,851)	(26,147)	(21,929)	(36,109)	(43,948)
Net cash provided (used) by financing activities	27,537	27,537	(28,236)	(28,236)	1,023	1,023
Cash provided (used) by continuing operations	10,596	10,596	(5,588)	(5,588)	4,701	4,701
Cash and cash equivalents at beginning of year	3,951	3,951	6,394	6,394	4,626	4,626
Cash and cash equivalents at end of year	14,547	14,547	3,951	3,951	6,394	6,394

Table of Contents

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

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, merchandise held for disposition, allowance for losses on cash advances, long-lived and intangible assets, income taxes, contingencies and litigation. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Foreign Currency Translation The functional currencies for the Company's foreign subsidiaries are the local currencies. The assets and liabilities of those subsidiaries are translated into U.S. dollars at the exchange rates in effect at each balance sheet date, and resulting adjustments are accumulated in other comprehensive income (loss) as a separate component of stockholders' equity. Revenue and expenses are translated at the monthly average exchange rates occurring during each year.

Cash and Cash Equivalents The Company considers cash on hand in operating locations, deposits in banks and short-term marketable securities with original maturities of 90 days or less as cash and cash equivalents.

Revenue Recognition Pawn loans (loans) are made on the pledge of tangible personal property. The Company accrues finance and service charges revenue only on those pawn loans that the Company deems collectible based on historical loan redemption statistics. For loans not repaid, the carrying value of the forfeited collateral (merchandise held for disposition) is stated at the lower of cost (cash amount loaned) or market. Revenue is recognized at the time that merchandise is sold. Interim customer payments for layaway sales are recorded as customer deposits and subsequently recognized as revenue during the period in which final payment is received.

Cash advances provide customers with cash in exchange for a promissory note or other repayment agreement supported by that customer's personal check for the aggregate amount of the cash advanced plus a service fee. To repay the cash advance, customers may redeem their check by paying cash or they may allow the check to be presented for collection. The Company accrues fees and interest on cash advances on a constant yield basis ratably over their terms. For those locations that offer cash advances from a third-party bank (the bank), the Company receives an administrative service fee for services provided on the bank's behalf. These fees are recorded in revenue when earned.

The Company records fees derived from its owned check cashing locations and consumer finance centers in the period in which the service is provided. Royalties derived from franchise locations are recorded on the accrual basis.

Allowance for Losses on Cash Advances In order to manage its portfolio of cash advances effectively, the Company utilizes a credit scoring system, monitors the performance of the portfolio, and maintains an allowance for losses.

The Company maintains an allowance for losses on cash advances (including fees and interest) at a level estimated to be adequate to absorb credit losses inherent in the outstanding combined Company and bank portfolio. The allowance offsets the outstanding cash advance amounts in the consolidated balance sheets. Cash advances written by the Company during each calendar month are aggregated and tracked to develop a performance history. The Company stratifies the outstanding combined portfolio by age, delinquency, and stage of collection when assessing the adequacy of the allowance for losses. Recent

Table of Contents

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

collection history is utilized to develop expected loss rates, which are used for the establishment of the allowance. Increases in the allowance are created by recording a cash advance loss provision in the consolidated statements of operations. The Company charges off all cash advances once they are 60 days past due, or sooner if deemed uncollectible. Recoveries on losses previously charged to the allowance are credited to the allowance when collected. The allowance deducted from the carrying value of cash advances was \$3,448,000 and \$1,748,000 at December 31, 2003 and 2002, respectively. See Note 4.

Merchandise Held for Disposition and Cost of Disposed Merchandise Merchandise held for disposition includes merchandise acquired from unredeemed loans, merchandise purchased directly from the public and merchandise purchased from vendors. Merchandise held for disposition is stated at the lower of cost (specific identification) or market. The cost of merchandise, computed on the specific identification basis, is removed from merchandise held for disposition and recorded as a cost of revenue at the time of sale. The Company provides an allowance for valuation and shrinkage based on management's evaluation of the merchandise. The allowance deducted from the carrying value of merchandise held for disposition amounted to \$1,416,000 and \$1,445,000 at December 31, 2003 and 2002, respectively.

Property and Equipment Property and equipment is recorded at cost. Depreciation expense is generally provided on a straight-line basis, using estimated useful lives of 7 to 40 years for buildings and 2 to 15 years for equipment and leasehold improvements. The cost of property retired or sold and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the consolidated statements of operations.

Software Development Costs The Company develops computer software for internal use. Internal and external costs incurred for the development of computer applications, as well as for upgrades and enhancements that result in additional functionality of the applications, are capitalized. Internal and external training and maintenance costs are charged to expense as incurred. When an application is placed in service, the Company begins amortizing the related capitalized software costs using the straight-line method and an estimated useful life varying from 3 to 5 years.

Goodwill and Other Intangible Assets Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* , was effective as of January 1, 2002, and, as a result, the Company discontinued the amortization of goodwill as of that date. In lieu of amortization, the Company is required to perform an impairment review of goodwill at least annually. The Company completed its reviews during 2002 and 2003. Based on the results of these tests, management determined there was no impairment as of January 1, 2002, or as of June 30, 2002 and 2003, as the respective fair values of each of the Company's reporting units exceeded their respective carrying amounts. See Note 6.

The Company amortizes intangible assets with an estimable life on the basis of their expected periods of benefit, generally 2 to 10 years. Accumulated amortization of these intangible assets was \$783,000 and \$1,416,000 at December 31, 2003 and 2002, respectively.

The costs of start-up activities and organization costs are charged to expense as incurred.

Impairment of Long-Lived Assets An evaluation of the recoverability of property and equipment and intangible assets subject to amortization is performed whenever the facts and circumstances indicate that the carrying value may be impaired. An impairment loss is recognized if the future undiscounted cash flows associated with the asset are less than the asset's corresponding carrying value. The amount of the impairment loss, if any, is the excess of the asset's carrying value over its estimated fair value.

Table of Contents

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

Income Taxes The provision for income taxes is based on income before income taxes as reported for financial statement purposes. Deferred income taxes are provided in accordance with the assets and liability method of accounting for income taxes in order to recognize the tax effects of temporary differences between financial statement and income tax accounting. Deferred federal income taxes are not provided on the undistributed earnings of foreign subsidiaries to the extent the Company intends to indefinitely reinvest such earnings.

Hedging and Derivatives Activity As a policy, the Company does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes. The Company does use derivative financial instruments, such as interest rate cap agreements, for the purpose of managing interest rate exposures that exist from ongoing business operations. On January 1, 2001, the Company adopted SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), and its corresponding amendments under SFAS No. 138 *Accounting for Certain Derivative Instruments and Certain Hedging Activities an Amendment of FASB Statement No. 133* (SFAS 138) and SFAS No. 149 *Amendment of FASB Statement No. 133 on Derivative and Hedging Activities* (SFAS 149), and began presenting its interest rate cap agreements at fair value on the balance sheet. Changes in their fair value are recognized in earnings unless they qualify as a hedge. The Company may also periodically enter into forward sale contracts with a major gold bullion bank to sell fine gold that is produced in the normal course of business from the Company's liquidation of forfeited gold merchandise. These contracts are not accounted for as derivatives because they meet the criteria for the normal purchases and normal sales scope exception in SFAS 133. In addition, the Company may periodically transfer funds between currencies and may concurrently enter into short-term currency swaps to eliminate the risk of currency fluctuations. The Company did not enter into any short-term currency swaps during 2003, 2002, or 2001.

Advertising Costs Costs of advertising are expensed at the time of first occurrence. Advertising expense for continuing operations was \$8,202,000, \$4,399,000 and \$4,104,000 for the years ended December 31, 2003, 2002, and 2001, respectively.

Stock-Based Compensation The Company accounts for its stock-based employee compensation plans in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), often referred to as the intrinsic value based method, accordingly, no compensation expense has been recognized. In October 1995, the Financial Accounting Standards Board (FASB) issued SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123). SFAS 123 encourages expensing the fair value of employee stock options, but allows an entity to continue to account for stock based compensation under APB 25 with disclosures of the pro forma effect on net income had the fair value accounting provisions of SFAS 123 been adopted. In December 2002, SFAS 123 was amended by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure, an amendment of FASB Statement No. 123* . The table below illustrates the effect on net income and earnings per share if the Company had applied SFAS 123 and calculated the fair value of options granted using the Black-Scholes option-pricing model (in thousands, except per share amounts).

Table of Contents

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

Included in the pro forma amounts below for 2003 is the effect of the accelerated vesting of 1,021,725 shares which brings the pro forma compensation expense of those option shares forward into the current year, eliminating it from future years had scheduled vesting occurred during the years 2004 through 2007.

	<u>2003^(a)</u>	<u>2002</u>	<u>2001</u>
Net income (loss) as reported	\$30,036	\$19,309	\$(5,906)
Deduct: Total stock-based employee compensation expense ^(b)	4,107	1,379	1,037
Net income (loss) pro forma	\$25,929	\$17,930	\$(6,943)
Net income (loss) per share			
Basic:			
As reported	\$ 1.17	\$ 0.79	\$ (0.24)
Pro forma	\$ 1.01	\$ 0.73	\$ (0.28)
Diluted:			
As reported	\$ 1.13	\$ 0.78	\$ (0.24)
Pro forma	\$ 0.97	\$ 0.72	\$ (0.28)

(a) The pro forma stock-based employee compensation expense of the 1,021,725 option shares that accelerated in 2003 was \$2,337,000. Excluding this amount from the pro forma results above in 2003 would have resulted in an expense of \$1,770,000 and pro forma net income per share of \$1.10 (basic) and \$1.06 (diluted).

(b) Determined under fair value based method for all awards, net of related tax effects. All awards refers to awards granted, modified, or settled in fiscal periods beginning after December 15, 1994, that is, awards for which the fair value was required to be measured under SFAS 123.

The pro forma amounts of stock options granted were estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Expected term (years)	8.2	8.2	8.0
Risk-free interest rate	4.14%	5.23%	5.12%
Expected dividend yield	0.54%	0.63%	0.81%
Expected volatility	49.5%	56.7%	58.0%

Net Income (Loss) Per Share Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted net income (loss) per share is calculated by giving effect to the potential dilution that could occur if securities or other contracts to issue common shares were exercised and converted into common shares during the year.

Table of Contents

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

The following table sets forth the reconciliation of numerators and denominators of basic and diluted earnings (loss) per share computation for the three years ended December 31, 2003 (dollars in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Basic earnings (loss) per share computation			
Numerator:			
Income available to common stockholders	\$30,036	\$ 18,509	\$ 12,725
Gain (loss) from discontinued operations		800	(18,631)
	<u> </u>	<u> </u>	<u> </u>
Net income (loss) available to common stockholders	\$30,036	\$ 19,309	\$ (5,906)
	<u> </u>	<u> </u>	<u> </u>
Denominator:			
Weighted average common shares outstanding	25,586	24,424	24,643
	<u> </u>	<u> </u>	<u> </u>
Diluted earnings (loss) per share computation			
Numerator:			
Income available to common stockholders	\$30,036	\$ 18,509	\$ 12,725
Gain (loss) from discontinued operations		800	(18,631)
	<u> </u>	<u> </u>	<u> </u>
Net income (loss) available to common stockholders	\$30,036	\$ 19,309	\$ (5,906)
	<u> </u>	<u> </u>	<u> </u>
Denominator:			
Weighted average common shares outstanding	25,586	24,424	24,643
Effect of shares applicable to stock option plans	1,039	350	255
Effect of shares applicable to nonqualified savings plan	63	67	65
	<u> </u>	<u> </u>	<u> </u>
Total diluted shares	26,688	24,841	24,963
	<u> </u>	<u> </u>	<u> </u>

Recent Accounting Pronouncements . The FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46) in January 2003 and a revised version of FIN 46 (FIN 46R) in December 2003. FIN 46 and FIN 46R require that variable interest entities (VIE) be consolidated by their primary beneficiary. Neither FIN 46 nor FIN 46R had any effect on the Company's consolidated financial position and results of operations.

In December 2003, the Accounting Standards Executive Committee (AcSEC) issued Statement of Position 03-3 (SOP 03-3), *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*. This SOP requires that the

excess of contractual cash flows over cash flows expected to be collected not be recognized as an adjustment of yield, loss accrual, or valuation allowance. Subsequent increases in cash flows expected to be collected generally should be recognized prospectively through adjustment of the loan's yield over its remaining life and decreases in cash flows expected to be collected should be recognized as impairment. SOP 03-3 is effective for loans acquired in fiscal years beginning after December 15, 2004 and is not expected to have a material effect on the Company's consolidated financial position or results of operations.

Reclassifications Certain amounts in the consolidated financial statements for 2002 and 2001 have been reclassified to conform to the presentation format adopted in 2003. These reclassifications have no effect on net income (loss) or stockholders' equity previously reported.

Table of Contents**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Acquisitions**

Cashland . As part of the Company's strategic initiative of expanding its reach into new markets with new customers and new financial services, on August 1, 2003, the Company, through its wholly-owned subsidiary Cashland, completed the purchase of substantially all of the assets of Cashland, Inc., a privately-owned consumer finance company based in Dayton, Ohio. As of the purchase date, Cashland operated 121 consumer finance centers that offered cash advances and check cashing services. The results of Cashland's operations have been included in the consolidated financial statements since that date. The aggregate purchase consideration and costs totaled \$50,512,000, which consisted of \$32,000,000 in cash, 1,533,333 shares of the Company's stock valued at \$16,805,000 and acquisition costs of \$1,707,000. The cash portion of the purchase price was funded by the Company's U.S. line of credit. The total commitment amount under the line of credit was increased from \$90,000,000 to \$135,000,000 to facilitate this acquisition (see Note 8).

Under the purchase method of accounting, the net assets of Cashland were recorded at their respective fair values as of the purchase date. The net assets acquired at fair value as of August 1, 2003 are presented below (in thousands):

Cash advances	\$12,938
Property and equipment	6,451
Goodwill	27,840
Intangible assets	3,300
Other assets and liabilities, net	(17)
	<hr/>
Total assets acquired	\$50,512
	<hr/>

Of the total purchase price, \$100,000 was assigned to a non-competition agreement that is being amortized over the period of the agreement of two years, \$2,200,000 was assigned to customer relationships that is being amortized on the basis of their expected benefit over a period of six years, and \$1,000,000 was assigned to tradenames and is not subject to amortization. The acquisition resulted in the recognition of goodwill of \$27,840,000, which is not subject to amortization. The entire amount is expected to be deductible for tax purposes.

The terms of the purchase included the potential for additional consideration to be paid based on the future earnings performance of Cashland during the twelve months ending June 30, 2004. On February 2, 2004, the parties amended the asset purchase agreement to eliminate that provision and to provide instead for the Company to make a final payment of additional consideration in the amount of \$5,400,000. The payment consisted of \$2,900,000 in cash and a subordinated note for \$2,500,000. See Note 22.

Other Acquisitions . On August 11, 2003, the Company completed the acquisition of a five-store chain of pawn lending locations in the Texas Rio Grande Valley, for cash of \$8,629,000. Of the total purchase price, \$1,000,000 was allocated to a non-competition agreement which is being amortized over the period of the agreement of ten years, \$250,000 was assigned to customer relationships that is being amortized on the basis of their expected benefit over a period of five years, and 4,425,000 was assigned to goodwill and is not subject to amortization. In other purchase transactions during 2003, the Company acquired 10 pawnshops, 1 check cashing location and other earning assets for aggregate cash consideration of \$5,960,000. The excess of the aggregate purchase price over the aggregate fair market

value of net assets acquired was \$3,749,000 which was assigned to goodwill and is not subject to amortization.

Table of Contents

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

4. Cash Advances and Allowance for Losses

The Company offers the cash advance product through its Cash America pawnshops, Cash America cash advance centers and Cashland consumer finance centers. Cash advances are generally offered for a term of 7 to 45 days, depending on the customer's next payday. The Company originates cash advances in some of its locations and markets and services cash advances made by a third-party bank in other Company locations. During the first quarter of 2003, the Company terminated its relationship with a national bank that had offered this product in many of its stores and entered into an agreement with a state chartered bank to offer the product in those stores.

Under the current bank program, the Company purchases a participation interest in the bank originated cash advances, and receives an administrative fee for its services. In order to benefit from the use of the Company's collection resources and proficiency, all cash advances unpaid after maturity are assigned to the Company at a discount from the amount owed by the borrower. Losses on cash advances assigned to the Company that prove uncollectible are the responsibility of the Company. To the extent that the Company collects an amount owed by the customer in excess of the amount assigned by the bank, the Company is entitled to the excess and recognizes it in income when collected. Since the Company may not be successful in the collection of the assigned accounts, the Company's cash advance loss provision includes amounts estimated to be adequate to absorb credit losses from cash advances in the aggregate portfolio, including those expected to be assigned from the third-party bank's outstanding portfolio.

Cash advances outstanding at December 31, 2003 and 2002, were as follows (in thousands):

	<u>2003</u>	<u>2002</u>
<i>Originated by the Company</i>		
Active cash advances and fees receivable	\$ 17,107	\$ 1,311
Cash advances and fees in collection	<u>4,014</u>	<u>346</u>
Total originated by the Company	<u>21,121</u>	<u>1,657</u>
<i>Originated by bank</i>		
Active cash advances and fees receivable	9,891	7,754
Cash advances and fees in collection	<u>2,646</u>	<u>2,728</u>
Total originated by bank	<u>12,537</u>	<u>10,482</u>
Combined gross portfolio	33,658	12,139
Less: Elimination of cash advances owned by bank	1,335	7,754
Less: Discount on cash advances assigned by bank	<u>529</u>	<u>427</u>
Company cash advances and fees receivable, gross	31,794	3,958

Less: Allowance for losses	<u>3,448</u>	<u>1,748</u>
Cash advances and fees receivable, net	<u>\$28,346</u>	<u>\$ 2,210</u>
Allowance for losses as a % of combined gross portfolio	<u>10.2%</u>	<u>14.4%</u>

The table above includes the results of Cashland as of December 31, 2003. Excluding the impact of Cashland, the Company's gross and net balances of cash advances and fees receivable would have been \$13,178,000 and \$11,632,000, respectively, and the allowance for losses would have been \$1,546,000 representing, 10.3% of the combined gross portfolio as of December 31, 2003.

Table of Contents

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

Changes in the allowance for losses on cash advances for the years ended December 31, were as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Balance at beginning of year	\$ 1,748	\$ 711
Cash advance loss provision	10,756	6,676
Charge-offs	(12,453)	(7,691)
Recoveries	3,397	2,052
	<u> </u>	<u> </u>
Balance at end of year	\$ 3,448	\$ 1,748
	<u> </u>	<u> </u>
Cash advance loss provision as a % of combined advances written	3.6%	5.4%
	<u> </u>	<u> </u>
Charge-offs (net of recoveries) as a % of combined advances written	3.0%	4.6%
	<u> </u>	<u> </u>

The above table includes the results of Cashland for the five months since its acquisition on August 1, 2003. Excluding the impact of Cashland, the cash advance loss provision would have been \$6,807,000, representing 3.7% of cash advances written during 2003, and charge-offs, net of recoveries, would have been \$7,009,000, representing 3.9% of cash advances written for the year ended December 31, 2003.

Cash advances assigned by the bank to the Company for collection were \$29,981,000 and \$23,645,000 for 2003 and 2002, respectively. The Company's participation interest in bank originated cash advances at December 31, 2003 was \$8,472,000.

5. Property and Equipment

Major classifications of property and equipment at December 31, 2003 and 2002, were as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Land	\$ 2,598	\$ 2,244
Buildings and leasehold improvements	101,484	88,145
Furniture, fixtures and equipment	60,658	51,962
Computer software	20,855	19,131
	<u> </u>	<u> </u>
Total	185,595	161,482

Edgar Filing: HALCON RESOURCES CORP - Form PRE 14A

Less accumulated depreciation	<u>106,618</u>	<u>94,228</u>
Property and equipment, net	<u>\$ 78,977</u>	<u>\$ 67,254</u>

Table of Contents

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

6. Goodwill and Other Intangible Assets

Effective January 1, 2002, all goodwill and other intangible assets having an indefinite useful life are no longer amortized to earnings but are tested for impairment annually at June 30, or more frequently if events or changes in circumstances indicate that the assets might be impaired, using a two-step impairment assessment. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The useful lives of other intangible assets must be reassessed and the remaining amortization periods adjusted accordingly.

The Company adopted the provisions of SFAS 142 on January 1, 2002. Based on the results of the initial and the annual impairment test, management determined there was no impairment as of January 1, 2002 or as of June 30, 2002 and 2003.

Goodwill. The changes in the carrying value of goodwill for the years ended December 31, 2003 and 2002, were as follows (in thousands):

	Pawn Lending		Cash Advance^(a)	Check Cashing	Consolidated
	United States	Foreign			
Balance as of January 1, 2003, net of amortization of \$24,645	\$59,591	\$15,059	\$	\$5,183	\$ 79,833
Acquired goodwill	6,712	1,335	27,840	127	36,014
Effect of foreign translation		2,116			2,116
	_____	_____	_____	_____	_____
Balance as of December 31, 2003	<u>\$66,303</u>	<u>\$18,510</u>	<u>\$27,840</u>	<u>\$5,310</u>	<u>\$117,963</u>
Balance as of January 1, 2002, net of amortization of \$24,224	\$59,050	\$12,453	\$	\$5,183	\$ 76,686
Acquired goodwill	541	1,006			1,547
Effect of foreign translation		1,600			1,600
	_____	_____	_____	_____	_____
Balance as of December 31, 2002	<u>\$59,591</u>	<u>\$15,059</u>	<u>\$</u>	<u>\$5,183</u>	<u>\$ 79,833</u>

^(a) Cashland only.

Table of Contents

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

Transitional Disclosures Net income and net income per share excluding the after-tax effect of amortization expense related to goodwill for the years ended December 31, were as follows (in thousands, except per share amounts):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Reported net income (loss)	\$ 30,036	\$ 19,309	\$ (5,906)
Add back goodwill amortization, net of income tax benefits	—	—	2,557
Adjusted net income (loss)	\$ 30,036	\$ 19,309	\$ (3,349)
Basic net income (loss) per share:			
Reported net income (loss)	\$ 1.17	\$ 0.79	\$ (0.24)
Add back goodwill amortization, net of income tax benefits	—	—	0.10
Adjusted net income (loss) per share	\$ 1.17	\$ 0.79	\$ (0.14)
Diluted net income (loss) per share:			
Reported net income (loss)	\$ 1.13	\$ 0.78	\$ (0.24)
Add back goodwill amortization, net of income tax benefits	—	—	0.10
Adjusted net income (loss) per share	\$ 1.13	\$ 0.78	\$ (0.13)

Acquired Intangible Assets Acquired intangible assets that are subject to amortization as of December 31, 2003 and 2002, were as follows (in thousands):

	<u>2003</u>			<u>2002</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Non-competition agreements	\$ 1,800	\$ (389)	\$ 1,411	\$ 1,832	\$(1,345)	\$ 487
Customer relationships	2,530	(339)	2,191			
Other	170	(55)	115	130	(71)	59

	—	—	—	—	—	—
Total	\$4,500	\$ (783)	\$3,717	\$1,962	\$(1,416)	\$546

Non-competition agreements are amortized over the applicable terms of the contracts. Net acquired intangible assets are included in Other assets in the accompanying consolidated balance sheets. Tradenames of \$1,000,000 at December 31, 2003 are not subject to amortization.

Amortization Amortization expense for the acquired intangible assets is as follows (in thousands):

Actual amortization expense for the year ended December 31, 2003	\$600
Estimated amortization expense for the years ended December 31:	
2004	\$983
2005	813
2006	632
2007	472
2008	291

Table of Contents**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at December 31, 2003 and 2002, were as follows (in thousands):

	2003	2002
	<u> </u>	<u> </u>
Trade accounts payable	\$11,684	\$ 6,332
Accrued taxes, other than income taxes	3,615	2,467
Accrued payroll and fringe benefits	17,050	9,636
Accrued interest payable	2,702	3,027
Other accrued liabilities	4,116	3,458
	<u> </u>	<u> </u>
Total	\$39,167	\$24,920
	<u> </u>	<u> </u>

8. Long-term Debt

The Company's long-term debt instruments and balances outstanding at December 31, 2003 and 2002, were as follows (in thousands):

	2003	2002
	<u> </u>	<u> </u>
U.S. line of credit up to \$135,000 due July 31, 2006	\$ 68,111	\$ 44,500
Multi-currency line of credit up to £20,000 due April 30, 2006	12,640	
Multi-currency line of credit up to £15,000 due April 30, 2004 (terminated in 2003)		11,702
8.33% senior unsecured notes due 2003		4,286
8.14% senior unsecured notes due 2007	16,000	20,000
7.10% senior unsecured notes due 2008	21,429	25,714
7.20% senior unsecured notes due 2009	42,500	42,500
	<u> </u>	<u> </u>
Total debt	160,680	148,702
Less current portion	8,286	12,571
	<u> </u>	<u> </u>
Total long-term debt	\$152,394	\$136,131
	<u> </u>	<u> </u>

In connection with the acquisition of Cashland, the Company increased its total commitment under the U.S. line of credit from \$90,000,000 to \$135,000,000 and extended the maturity date to July 31, 2006. The interest rate on the line of credit varies from 1.50% to 2.25% over the London Inter Bank Offering Rate (LIBOR) (1.1875% at December 31, 2003), depending on the Company's cash flow leverage ratio as defined in the credit agreement. The Company pays a fee of 0.375% per annum on the unused portion of this line of credit. The effective average interest rate (including margin) on the U.S. line of credit at December 31, 2003 was 3.44%.

During 2003, the Company extended its multi-currency line of credit for two years to April 30, 2006 and increased the maximum amount to £20,000,000 (approximately \$35,718,000 at December 31, 2003) from £15,000,000 (approximately \$26,789,000 at December 31, 2003). Although both of the Company's foreign subsidiaries utilize the multi-currency line of credit, neither subsidiary has joint and several liability for the debt of the other subsidiary. Funds may be drawn in British pounds, bearing interest at the bank's cost of funds plus a margin of 75 basis points. Funds up to the equivalent of £10,000,000 may be drawn in alternative currencies, including Swedish kronor, bearing interest at the bank's cost of funds plus a margin of 75 basis points. In the aggregate, the British pound and Swedish kronor drawings may not exceed the

Table of Contents

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

equivalent of £20,000,000. The Company pays a fee of 0.25% per annum on the unused portion of this line of credit. As of December 31, 2003, amounts outstanding under this line of credit were £5,250,000 (approximately \$9,376,000) and SEK 23,500,000 (approximately \$3,264,000). The interest rates on the British pound and Swedish kronor borrowings at December 31, 2003, were 4.56% and 3.52%, respectively. The Company had an interest rate cap agreement for SEK 100,000,000 that expired in August 2003 and limited the Stockholm Interbank Offering rate to 5.5%.

The Company has an interest rate cap agreement totaling \$30,000,000 that expires in February 2004 and limits the maximum LIBOR rate to 5.5%.

In 2002, the Company issued \$42,500,000 of 7.20% senior unsecured notes, due August 2009. The notes are payable in five equal annual payments beginning in August 2005.

The credit agreements and the senior unsecured notes require the Company to maintain certain financial ratios. The Company is in compliance with all covenants or other requirements set forth in its debt agreements.

Annual maturities of the outstanding long-term debt, including its lines of credit, for each of the five years after December 31, 2003 are as follows (in thousands):

2004	\$ 8,286
2005	16,786
2006	97,537
2007	16,786
2008	12,785
Thereafter	8,500
	<hr/>
	\$ 160,680
	<hr/>

Net interest expense in the accompanying consolidated statements of operations includes interest income of \$315,000, \$562,000 and \$1,083,000 in 2003, 2002, and 2001, respectively. Interest capitalized in 2001 in connection with the restoration of the Company's corporate headquarters was \$423,000.

Table of Contents**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. Income Taxes**

The components of the Company's deferred tax assets and liabilities as of December 31, 2003 and 2002, were as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Deferred tax assets:		
Allowance for valuation of merchandise held for disposition	\$ 266	\$ 275
Tax over book accrual of finance and service charges	3,857	3,531
Allowance for cash advance losses	1,206	612
Deferred compensation	1,132	955
Net capital losses	7,210	8,200
Other	1,713	1,455
	<u>15,384</u>	<u>15,028</u>
Total deferred tax assets	15,384	15,028
Valuation allowance for deferred tax assets	(7,204)	(7,691)
	<u>8,180</u>	<u>7,337</u>
Deferred tax assets, net	8,180	7,337
Deferred tax liabilities:		
Amortization of acquired intangibles	4,224	3,243
Deferred installment gain		493
Foreign tax reserves	1,973	1,506
Property and equipment	2,218	372
Other	601	716
	<u>9,016</u>	<u>6,330</u>
Total deferred tax liabilities	9,016	6,330
Net deferred tax assets (liabilities)	<u>\$ (836)</u>	<u>\$ 1,007</u>
Balance sheet classification:		
Current deferred tax assets	\$ 6,868	\$ 5,392
Non-current deferred tax liabilities	(7,704)	(4,385)
	<u>\$ (836)</u>	<u>\$ 1,007</u>
Net deferred tax assets (liabilities)	\$ (836)	\$ 1,007

Table of Contents

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

The components of the provision for income taxes and the income to which it relates for the years ended December 31, are shown below (in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Income from continuing operations before income taxes:			
United States entities.	\$34,325	\$19,313	\$12,506
Foreign entities	11,809	9,589	7,923
	\$46,134	\$28,902	\$20,429
Current provision:			
Federal	\$10,229	\$ 5,052	\$ 4,350
Foreign	3,658	2,897	2,417
State and local	767	568	399
	14,654	8,517	7,166
Deferred provision (benefit):			
Federal	1,326	1,739	515
Foreign	145	100	62
State and local	(27)	37	(39)
	1,444	1,876	538
Total provision	\$16,098	\$10,393	\$ 7,704

The effective tax rate on income from continuing operations differs from the federal statutory rate of 35% for the following reasons (in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Tax provision computed at the federal statutory income tax	\$16,147	\$10,116	\$7,150

rate			
Non-deductible amortization of intangible assets			597
Foreign tax rate difference	(667)	(547)	(463)
State and local income taxes, net of federal tax benefits	481	394	234
Valuation allowance	(487)		(1)
Other	624	430	187
	<u> </u>	<u> </u>	<u> </u>
 Total provision	 \$16,098	 \$10,393	 \$7,704
	<u> </u>	<u> </u>	<u> </u>
 Effective tax rate	 34.9%	 36.0%	 37.7%
	<u> </u>	<u> </u>	<u> </u>

As of December 31, 2003, the Company had net capital loss carryovers of \$20,601,000, principally related to a previous investment. These losses may only be used to offset net capital gains. Any unused losses expire in 2006 through 2007. The deferred tax valuation allowances at December 31, 2003 and 2002, were provided to reduce deferred tax benefits of capital losses that the Company does not expect to realize. During 2003, the Company reduced the valuation allowance by \$487,000 as a result of capital gains arising during the year. During 2001, the Company re-evaluated the potential for realization of the Company's deferred tax assets related to the 1998 acquisition of Doc Holliday's Pawnbrokers and Jewellers, Inc. (Doc Holliday's). As a result, the \$290,000 valuation allowance related to the Doc Holliday's pre-acquisition deductible temporary differences was eliminated and the resulting tax benefit was applied to reduce goodwill attributable to the Doc

Table of Contents**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Holliday's acquisition. Upon adoption of SFAS 142 in 2002 (see Note 6) \$406,000 of deferred tax assets were eliminated through a corresponding increase in goodwill.

Domestic income taxes have not been provided on approximately \$47,318,000 of cumulative undistributed earnings of foreign subsidiaries because it is the Company's intent to reinvest these earnings overseas indefinitely. As of December 31, 2003, the Company estimates that it would be subject to U.S. income taxes (net of foreign tax credits) of approximately \$6,800,000 upon distribution of accumulated earnings of all foreign subsidiaries.

10. Commitments and Contingencies

Leases The Company leases certain of its facilities under operating leases with terms ranging from 3 to 15 years and certain rights to extend for additional periods. Future minimum rentals due under non-cancelable leases for continuing operations are as follows for each of the years ending December 31 (in thousands):

2004	\$23,842
2005	18,148
2006	13,793
2007	9,720
2008	6,119
Thereafter	17,845
	<hr/>
	\$89,467
	<hr/>

Rent expense for continuing operations was \$23,689,000, \$21,786,000 and \$21,966,000 for 2003, 2002 and 2001, respectively.

Guarantees The Company guaranteed obligations under certain operating leases for the premises related to the 22 Rent-A-Tire stores sold in June 2002. In the event the buyer is unable to perform under the operating leases, the Company's maximum aggregate potential obligation under these guarantees was approximately \$1,057,000 at December 31, 2003. This amount is reduced dollar-for-dollar by future amounts paid on these operating leases by the buyer. In the event that the buyer fails to perform and the Company is required to make payments under these leases, the Company will seek to mitigate its losses by subleasing the properties or buying out of the leases. See Note 17.

Litigation The Company is party to a number of lawsuits arising in the normal course of business. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

11. Stockholders' Equity

During 2003, the Company received net proceeds totaling \$18,513,000 from the exercise of stock options for 2,564,439 shares. The Company issued 1,533,333 treasury shares valued at \$16,805,000 in connection with the acquisition of Cashland in 2003.

The Company received 436 shares of its common stock valued at \$8,000 and 1,442 shares valued at \$10,000 during 2003 and 2001, respectively, as partial payment for shares issued under stock option plans and 21,800 shares valued at \$200,000 and 14,000 shares valued at \$84,000 as partial payment on officer loans in 2002 and 2001, respectively.

Table of Contents

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

On July 25, 2002, the Company's Board of Directors authorized management to purchase up to one million shares of its common stock in the open market and terminated the existing open market purchase authorization established in 2000. The following table summarizes the aggregate shares purchased under these plans during each of the three years ended December 31:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Shares purchased:			
Under 2000 authorization		176,700	61,200
Under 2002 authorization	<u>199,800</u>	<u>109,000</u>	<u> </u>
Total shares purchased	<u>199,800</u>	<u>285,700</u>	<u>61,200</u>
Aggregate amount (in thousands)	\$ 2,281	\$ 2,220	\$ 451
Average price paid per share	\$ 11.42	\$ 7.77	\$ 7.37

Shares purchased and distributed on behalf of participants relating to the Non-Qualified Savings Plan during each of the three years ended December 31 are summarized as follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Purchases:			
Number of shares	13,756	24,206	26,205
Aggregate amount (in thousands)	\$ 173	\$ 200	\$ 184
Distributions:			
Number of shares	15,834	27,855	15,347
Aggregate amount (in thousands)	\$ 143	\$ 258	\$ 148

The Board of Directors adopted an officer stock loan program (the "Program") in 1994 and modified it in 1996, 2001 and 2002. The amendment in 2002 provided that no further advances would be made to existing participants and closed the plan to new participants. Prior to the 2002 amendment, Program participants utilized loan proceeds to acquire and hold the Company's and affiliates' common stock by means of stock option exercises or otherwise. Common stock held as a result of the loan is pledged to the Company in support of the obligation. Interest accrues at 6% per annum. The entire unpaid balance of principal and interest on these loans is due and payable on July 24, 2007. During 2003, the Chairman of the Board of Directors sold 139,400 shares of common stock that had been pledged to the Company to secure a loan under the Program. The proceeds of \$1,749,000 from the sale were used to repay the loan in full. The Company's Chief Executive Officer and other officers also made principal and interest payments totaling \$1,795,000 toward such loans during 2003. Amounts due under the Program are reflected as a reduction of stockholders' equity in the accompanying consolidated balance sheets.

12. Employee Benefit Plans

The Cash America International, Inc. 401(k) Savings Plan is open to substantially all domestic employees who meet specific length of employment and age requirements. The Cash America International, Inc. Nonqualified Savings Plan is available to certain members of management. Participants may contribute up to 50% of their earnings to these plans. The Company makes matching cash contributions of 50% of each participant's contributions, based on participant contributions of up to 5% of compensation. Company contributions vest at the rate of 20% each year after one year of service; thus a participant is 100% vested after five years of service. The Company provides benefits under separate retirement plans for eligible employees in foreign countries.

Table of Contents

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

Total Company contributions to retirement plans were \$876,000, \$743,000 and \$732,000 in 2003, 2002 and 2001, respectively. The amounts included in the Company's consolidated balance sheets relating to the Nonqualified Savings Plan were as follows (in thousands):

	As of December 31,	
	2003	2002
Other receivables and prepaid expenses	\$2,799	\$1,991
Accounts payable and accrued expenses	3,211	2,376
Treasury shares	634	604

In addition to the retirement plans mentioned above, the Company established a Supplemental Executive Retirement Plan (SERP) for its officers in 2003. The Company makes discretionary contributions determined by the Management Development and Compensation Committee of the Board of Directors. The Company recorded compensation expense of \$432,000 for the SERP during 2003.

13. Derivative Instruments and Hedging Activities

The Company adopted SFAS No. 133 and its corresponding amendments under SFAS 138 and SFAS 149, on January 1, 2001. SFAS 133 requires an entity to recognize each derivative instrument as either an asset or liability on the balance sheet, measure it at fair value, and recognize the changes in its fair value immediately in earnings unless it qualifies as a hedge. The Company's only derivative instruments are interest rate cap agreements that it designates and uses as cash flow hedges to protect against the risks associated with market fluctuations in interest rates on a portion of its variable interest rate borrowings. The Company performs prospective assessments of each agreement's hedge effectiveness, as defined by SFAS 133, at the beginning of each quarter. The final determination of hedge effectiveness is completed following the end of each quarter.

The accompanying consolidated statements of operations include losses from derivative valuation fluctuations of \$0, \$177,000 and \$557,000 during the years ended December 31, 2003, 2002 and 2001, respectively. The loss during 2002 was a result of adjustments to the estimated fair value of interest rate cap agreements. The loss during 2001 resulted from two adjustments. As of January 1, 2001, the Company adjusted the carrying value of each of its interest rate cap agreements to fair value and recorded a loss of \$259,000 (before applicable income tax benefit of \$87,000), which represented the cumulative effect of adopting the new standard. The Company also recorded an additional loss of \$298,000 during 2001 due to the determination that the interest rate cap agreements were ineffective as hedges (as defined by SFAS 133) during 2001, and due to the decreases in the fair values of the agreements resulting from the prevailing interest rate environment.

The fair value of the interest rate cap agreements was \$0 at December 31, 2003 and 2002.

14. Stock Purchase Rights

In August 1997, the Board of Directors declared a dividend distribution of one Common Stock Purchase Right (the Rights) for each outstanding share of its common stock. The Rights become exercisable in the event a person or group acquires 15% or more of the Company's common stock or announces a tender offer, the consummation of which

would result in ownership by a person or group of 15% or more of the common stock. If any person becomes a 15% or more shareholder of the Company, each Right (subject to certain limits) will entitle its holder (other than such person or members of such group) to purchase, for \$37.00, the number of shares of the Company's common stock determined by dividing \$74.00 by the then current market price of the common stock. The Rights will expire on August 5, 2007.

Table of Contents

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

15. Stock Options and Restricted Stock Units

Under various equity compensation plans (the Plans) it sponsors, the Company is authorized to issue 8,300,000 shares of Common Stock pursuant to Awards granted as incentive stock options (intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended), nonqualified stock options and restricted stock units.

In December 2003, the Company granted 233,223 restricted stock units to its officers in conjunction with the adoption of the Supplemental Executive Retirement Plan. Each vested restricted stock unit entitles the holder to receive a share of the common stock of the Company to be issued upon termination of employment with the Company. The aggregate market value of these restricted stock units at the date of grant of \$4,485,000 is being amortized to expense over the vesting periods of 4 to 15 years. Compensation expense of \$14,000 associated with the restricted stock units was recognized in 2003.

Stock options granted under the Plans have contractual terms of 5 to 15 years and have an exercise price equal to or greater than the fair market value of the stock at grant date. Stock options granted vest over periods ranging from 1 to 7 years. However, the terms of options with the 7-year vesting periods and certain of the 4-year and 5-year vesting periods include provisions which accelerate vesting if specified share price appreciation criteria are met. During 2003, 1,021,725 shares vested due to the acceleration provisions. No accelerated vesting of stock options occurred in 2002 or 2001.

A summary of the Company's stock option activity for each of the three years ended December 31, is as follows (shares in thousands):

	2003		2002		2001	
	Shares	Weighted Average Exercise Prices	Shares	Weighted Average Exercise Prices	Shares	Weighted Average Exercise Prices
Outstanding at beginning of year	4,374	8.13	3,997	\$ 8.16	3,994	\$ 8.32
Granted	572	10.80	428	7.99	155	6.18
Exercised	(2,565)	7.22	(7)	5.70	(7)	9.03
Forfeited	(39)	9.65	(44)	9.44	(145)	10.45
Outstanding at end of year	2,342	9.75	4,374	\$ 8.13	3,997	\$ 8.16
Exercisable at end of year	1,559	9.29	2,898	\$ 7.54	2,814	\$ 7.36
	\$ 7.37		\$ 6.22		\$ 4.88	

Weighted average fair
value of options granted

Stock options outstanding and exercisable as of December 31, 2003, are summarized below (shares in thousands):

Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Years of Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
\$ 5.63 to \$ 8.72	697	\$ 7.25	4.9	583	\$ 7.50
\$ 8.73 to \$ 12.63	1,471	10.19	6.0	902	10.01
\$ 12.64 to \$ 17.14	174	16.10	7.6	74	14.69
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 5.63 to \$ 17.14	2,342	\$ 9.75	5.8	1,559	\$ 9.29
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Table of Contents

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

16. Supplemental Disclosures of Cash Flow Information

The following table sets forth certain cash and non-cash activities for the years ended December 31 (in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Restated)	(Restated)	(Restated)
Cash paid during the year for			
Interest	\$ 11,916	\$ 8,381	\$ 10,393
Income taxes	9,932	3,277	162
Non-cash investing and financing activities			
Pawn loans forfeited and transferred to merchandise held for disposition	\$ 126,409	\$ 122,295	\$ 128,397
Pawn loans renewed	40,875	36,387	36,880
Cash advances renewed	5,969	4,042	2,422
Common stock issued in acquisition	16,805		
Accrued liabilities assumed in acquisitions	176	5	7
Interest accreted to notes receivable secured by common stock		1	24

17. Discontinued Operations

In September 2001, the Company adopted a formal plan (the Plan) to exit the rent-to-own business conducted by the Company's subsidiary, Rent-A-Tire, Inc. (Rent-A-Tire), in order to focus on its core lending business. Rent-A-Tire offered new tires and wheels under a rent-to-own format to customers seeking an alternative to a direct purchase. The Company closed 21 Rent-A-Tire operating locations and held the remaining 22 locations for sale. In conjunction with the Plan, a pre-tax charge of \$10,961,000 (\$7,553,000 after income tax benefit) was recorded in the quarter ended September 30, 2001 to establish a reserve for the estimated loss on disposal of the rental business segment. This charge included a provision of \$4,472,000 for operating losses subsequent to September 1, 2001, the effective date of the Plan, and a provision of \$6,489,000 for the estimated loss on the sale of remaining assets.

On June 14, 2002, the Company sold the assets of the 22 Rent-A-Tire stores for proceeds of approximately \$3,000,000 in cash. During 2002, the Company recorded a \$1,214,000 (\$800,000 after income tax) reduction in the original charge to the reserve, due to both a decrease in the Company's expected future operating lease obligations (net of expected sublease income) for closed stores and proceeds from the sale of assets in excess of the original estimate.

Table of Contents

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

Activity in the reserve for disposal of discontinued operations and the related reserve for inventory valuation since inception and the remaining balance as of December 31, 2003, is presented below (in thousands):

	Reserve for Inventory Valuation	Long-Lived Asset Write Down	Facility Obligation Costs	Workforce Reduction	Phase-Out Period Operating Losses (Income)	Loss on Sale of Assets	Total
Reserve at inception	\$ 712	\$ 1,590	\$ 2,194	\$ 134	\$ (158)	\$ 6,489	\$10,249
Cash expenditures, net			(150)	(109)	(196)	(50)	(505)
Non-cash write-offs/reductions	(572)	(1,590)			(201)		(1,791)
Reserve at December 31, 2001	140		2,044	25	(555)	6,439	7,953
Cash proceeds (expenditures), net			(406)	(51)	(43)	2,786	2,286
Non-cash write-offs/reductions	(140)				(188)	(8,214)	(8,402)
Adjustments			(1,015)	26	786	(1,011)	(1,214)
Reserve at December 31, 2002			623				623
Cash expenditures, net			(270)				(270)
Accretion of interest on discounted obligations			36				36
Reserve at December 31, 2003	\$	\$	\$ 389	\$	\$	\$	\$ 389

The Company guaranteed obligations under certain operating leases for the premises related to the 22 Rent-A-Tire stores included in the asset sale agreement. See Note 10.

Pursuant to APB Opinion No. 30, *Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, the consolidated financial statements of the Company have been reclassified to reflect the disposal of the rental business segment. Accordingly, the revenues, costs and expenses, assets, and cash flows of Rent-A-Tire have been segregated in the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows. The net operating results, net assets and net cash flows of this business segment have been reported as discontinued

operations in the accompanying consolidated financial statements. The gain (loss) from discontinued operations does not include interest expense since debt was not assumed by the buyer.

Operating results for the discontinued rental business for the years ended December 31 are summarized below (dollars in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues	\$ —	\$ —	\$ 19,102
Loss before income taxes	\$	\$	\$(16,651)
Income tax benefit	—	—	(5,573)
Loss from discontinued operations (net of income tax)			(11,078)
Gain (loss) on disposal of rental business (net of income tax)	—	800	(7,553)
Gain (loss) from discontinued operations	\$ —	\$ 800	\$(18,631)
Gain (loss) from discontinued operations per share diluted	\$ —	\$0.03	\$ (0.75)

Continuing losses associated with the rental business segment triggered an evaluation of Rent-A-Tire's long-lived asset recoverability during the third quarter of 2001. As a result, a non-cash charge of \$13,716,000 (\$9,153,000 after income tax benefit) to write down the carrying value of a portion of Rent-A-Tire's property and equipment and goodwill to estimated fair value, based upon discounted future cash flows, was included in loss before income taxes reflected in the table above for the year ended December 31, 2001.

Table of Contents

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

18. Operating Segment Information

The Company has two reportable operating segments in the pawn lending industry (United States pawn lending and foreign pawn lending), one in the cash advance industry (Cashland) and one in the check cashing industry (Mr. Payroll). While the United States and foreign pawn lending segments offer the same services, each is managed separately due to the different operational strategies required. In the United States segment, pawn loan terms are generally for one month with provisions for renewals and extensions, and the loans average approximately 50 days in length. The loan collateral includes a wide variety of personal property items. However, in the foreign segment, loan terms are 180 days or less, the loan amounts are generally larger, and the collateral is predominately jewelry. Cash advances, provided through the United States pawn lending segment and Cashland, have terms of 45 days or less and average approximately 17 days in length. The check cashing segment provides check cashing and other money services to individuals through franchised and company-owned Mr. Payroll check cashing centers. Cashland and Mr. Payroll are managed separately due to the different operational strategies required and, therefore, are reported as separate segments.

The accounting policies of the segments are the same as those described in Note 2. Management of the Company evaluates performance based on income from operations before net interest expense, other miscellaneous items of income or expense, and the provision for income taxes. There are no sales between operating segments.

As described in Note 17, the Company reclassified the results of operations of Rent-A-Tire as discontinued operations. This business was previously reported as a separate operating segment. The segment data included below has been restated to exclude amounts related to Rent-A-Tire.

Table of Contents

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

Information concerning the operating segments is set forth below (in thousands):

	Pawn Lending		Cash Advance ^(a)	Check Cashing ^(b)	Consolidated
	United States	Foreign			
Year Ended December 31, 2003:					
Revenue					
Finance and service charges	\$ 100,699	\$ 28,608	\$	\$	\$ 129,307
Proceeds from disposition of merchandise	236,032	18,572			254,604
Cash advance fees	28,294		18,661		46,955
Check cashing royalties and fees		1,862	1,381	3,568	6,811
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	365,025	49,042	20,042	3,568	437,677
Cost of revenue disposed merchandise	147,456	12,557			160,013
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net revenue	217,569	36,485	20,042	3,568	277,664
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenses					
Operations	131,680	16,107	9,575	1,561	158,923
Cash advance loss provision	6,807		3,949		10,756
Administration	29,660	5,026	2,115	744	37,545
Depreciation and amortization	11,492	2,872	1,244	533	16,141
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	179,639	24,005	16,883	2,838	223,365
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Income from operations	\$ 37,930	\$ 12,480	\$ 3,159	\$ 730	\$ 54,299
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As of December 31, 2003:					
Total assets	\$ 306,752	\$ 112,024	\$ 63,396	\$ 7,360	\$ 489,532
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures for property and equipment	\$ 13,503	\$ 3,133	\$ 2,485	\$ 75	\$ 19,196
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Year Ended December 31, 2002:

Revenue					
Finance and service charges	\$ 94,458	\$ 23,790	\$	\$	\$118,248
Proceeds from disposition of merchandise	233,396	12,547			245,943
Cash advance fees	19,084				19,084
Check cashing royalties and fees		1,005		3,563	4,568
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue	346,938	37,342		3,563	387,843
Cost of revenue disposed merchandise	152,071	8,640			160,711
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net revenue	194,867	28,702		3,563	227,132
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Expenses					
Operations	124,471	11,987		1,440	137,898
Cash advance loss provision	6,676				6,676
Administration	24,874	4,075		610	29,559
Depreciation and amortization	11,794	2,472		693	14,959
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	167,815	18,534		2,743	189,092
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income from operations	\$ 27,052	\$ 10,168	\$	\$ 820	\$ 38,040
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(a) Cashland only, for the period from date of acquisition, August 1, 2003 to December 31, 2003.

(b) Mr. Payroll only.

Table of Contents

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

	Pawn Lending		Cash Advance (a)	Check Cashing (b)	Consolidated
	United States	Foreign			
As of December 31, 2002:					
Total assets	\$279,208	\$89,532	\$	\$7,738	\$376,478
Expenditures for property and equipment	\$ 8,740	\$ 2,224	\$	\$ 363	\$ 11,327
Year Ended December 31, 2001:					
Revenue					
Finance and service charges	\$ 92,687	\$21,176	\$	\$	\$113,863
Proceeds from disposition of merchandise	222,013	9,866			231,879
Cash advance fees	5,993				5,993
Check cashing royalties and fees		799		3,395	4,194
Total revenue	320,693	31,841		3,395	355,929
Cost of revenue disposed merchandise	143,684	7,307			150,991
Net revenue	177,009	24,534		3,395	204,938
Expenses					
Operations	118,099	10,247		1,335	129,681
Cash advance loss provision	2,301				2,301
Administration	21,581	3,507		634	25,722
Depreciation and amortization	13,644	2,105		880	16,629
Total expenses	155,625	15,859		2,849	174,333
Income from operations	\$ 21,384	\$ 8,675	\$	\$ 546	\$ 30,605
As of December 31, 2001:					
Total assets	\$292,426	\$74,784	\$	\$7,074	\$374,284

Expenditures for property and equipment	\$ 29,786	\$ 1,947	\$	\$ 96	\$ 31,829
---	-----------	----------	----	-------	-----------

(a) Cashland only, for the period from date of acquisition, August 1, 2003 to December 31, 2003.

(b) Mr. Payroll only.

The geographic distribution of property and equipment at December 31, 2003, 2002 and 2001, was as follows (in thousands):

	United States	Foreign	Consolidated
2003	\$67,852	\$11,125	\$78,977
2002	57,799	9,455	67,254
2001	60,366	8,084	68,450

19. Related Party Transactions

In December 1999, the Company sold three pawnshops, including certain real estate, for \$4,520,000 to Ace Pawn, Inc (Ace) whose sole stockholder, J.D. Credit, Inc. (J. D. Credit) is controlled by the Chairman of the Board of Directors of the Company. The purchase price was determined by independent appraisal and approved by the Board of Directors of the Company. A gain of \$2,224,000 was recognized on the transaction. The Company received promissory notes from Ace that were collateralized

Table of Contents

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

by all of its assets. In addition, J.D. Credit pledged the common stock of Ace and the Chairman of the Board provided a personal guaranty for repayment of the notes. The notes required quarterly principal payments and interest payments at 10% per annum with a final balloon payment due in December 2002. The amount due on the notes was \$2,587,000 at December 31, 2002, and was included in Other assets in the accompanying balance sheet. Ace paid off the notes in full on January 13, 2003. The Company recorded interest income from the notes of \$9,000, \$285,000 and \$313,000 in 2003, 2002 and 2001, respectively.

Upon completion of the sale, the three pawnshops were converted to Company franchise units. Royalties recorded by the Company for these units were \$77,000, \$83,000 and \$79,000 for 2003, 2002, and 2001, respectively. The Company has the right of first refusal in the event of a proposed resale of the remaining pawnshops.

In October 2003, the Company purchased one of the pawnshops from Ace for \$2,461,000 cash. The purchase price was determined by independent appraisal and approved by the Board of Directors of the Company.

20. Fair Values of Financial Instruments

Cash and cash equivalents bear interest at market rates and have maturities of less than 90 days. Pawn loans have relatively short maturity periods depending on local regulations, generally 90 days or less in the United States and 180 days or less in the United Kingdom and Sweden. Cash advances have maturity periods of 45 days or less. Finance and service charge rates are determined by regulations and bear no valuation relationship to capital markets interest rate movements. Generally, pawn loans may only be resold to a licensed pawnbroker.

The Company's bank credit facilities bear interest at rates that are frequently adjusted on the basis of market rate changes. The fair values of the remaining long-term debt instruments are estimated based on market values for debt issues with similar characteristics or rates currently available for debt with similar terms.

The carrying amounts and estimated fair values of financial instruments at December 31, 2003 and 2002, were as follows (in thousands):

	2003		2002	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	\$ 14,547	\$ 14,547	\$ 3,951	\$ 3,951
Pawn loans	141,871	141,871	127,388	127,388
Cash advances, net	28,346	28,346	2,210	2,210
Notes receivable			2,587	2,587
Interest rate caps				
Financial liabilities:				
Bank lines of credit	\$ 80,751	\$ 80,751	\$ 56,202	\$ 56,202
Senior unsecured notes	79,929	84,480	92,500	96,518

Table of Contents

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

21. Quarterly Financial Data (Unaudited)

The Company's operations are subject to seasonal fluctuations. Revenue tends to be highest during the first and fourth calendar quarters. The following is a summary of the quarterly results of operations for the years ended December 31, 2003 and 2002 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Total revenue	\$105,505	\$94,417	\$107,148	\$130,607
Cost of revenue	41,554	35,387	36,584	46,488
Net revenue	63,951	59,030	70,564	84,119
Income from operations	12,965	9,077	11,712	20,545
Net income	6,769	5,651	6,042	11,574
Diluted net income per share	0.27	0.22	0.22	0.40
Diluted weighted average common shares	24,784	25,128	27,197	28,921
2002				
Total revenue	\$100,720	\$90,987	\$ 89,956	\$106,180
Cost of revenue	43,881	39,185	34,556	43,089
Net revenue	56,839	51,802	55,400	63,091
Income from operations	10,410	6,276	7,329	14,025
Income from continuing operations	5,203	2,682	3,182	7,442
Gain from discontinued operations		800		
Net income	5,203	3,482	3,182	7,442
Diluted income from continuing operations per share	0.21	0.11	0.13	0.30
Diluted gain from discontinued operations per share		0.03		
Diluted net income per share	0.21	0.14	0.13	0.30
Diluted weighted average common shares	24,862	24,916	24,773	24,818

22. Subsequent Event

The Company's June 30, 2003 asset purchase agreement for the purchase of the assets of Cashland, Inc. contained a provision under which the seller could potentially have received additional consideration based upon the future earnings of the business. On February 2, 2004, the parties amended the asset purchase agreement to eliminate that provision and to provide instead for the Company to make a final payment of additional consideration in the amount of \$5,400,000. The payment consisted of \$2,900,000 in cash and a subordinated note for \$2,500,000. Interest on the note accrues at 12% per annum and is payable semi-annually. The note principal is payable in nine equal annual installments beginning in February 2006. The final payment is due in February 2014, however, the note may be prepaid after February 1, 2006. In February 2004, the Company will increase goodwill for the additional consideration paid.

Table of Contents

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Company restated its Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001. For a description of the restatement of the Consolidated Statements of Cash Flows and the amendment of related disclosures, see the Explanatory Note on Page 1 of this Form 10-K/A.

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, management of the Company has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2003 (Evaluation Date).

In making this evaluation, the Chief Executive Officer and Chief Financial Officer considered matters relating to the restatement of the previously issued Consolidated Statements of Cash Flows and the amendment of related disclosures. In light of, among other things, the facts and circumstances relating to the restatement, the Chief Executive Officer and Chief Financial Officer concluded the restatement was not reflective of any material weakness in the disclosure controls and procedures. In support of this conclusion, the Chief Executive Officer and Chief Financial Officer noted that the Company's restatement of its Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001 follows from the review of the Company's Annual Report on Form 10-K for the year ended December 31, 2003 by the staff of the Securities and Exchange Commission (SEC). The restatement is, in substance, a reclassification of certain items as well as an elimination of certain non-cash items in the Consolidated Statements of Cash Flows, all as more particularly described in Note 2 of Notes to Consolidated Financial Statements. Given the unique nature of the Company's pawnbroking business and in conjunction with other elements of the Company's formal disclosure of its business activities in Item 1, the Company has previously viewed its longstanding presentation of the affected items to be an appropriate disclosure approach. Since 1987, the Company has utilized that same presentation format in its audited financial statements. Further, the other registrants in the industry have utilized the same format. Also, to management's knowledge no investors have expressed to the Company any confusion or uncertainty about the Company's disclosure approach during that period of time.

The reclassification is the result of an interpretation of the Company's business characteristics in relation to generally acceptable accounting principles pursuant to the requirements of the Financial Accounting Standard Board's Statement of Financial Accounting Standards No. 95 Statement of Cash Flows (SFAS 95). SFAS 95 calls for the exclusion of non-cash transactions from the statement of cash flows.

Notwithstanding the preceding, management will institute more rigorous reviews of the elements contained in the Statement of Cash Flows to be certain that it accurately captures only cash items consistent with SFAS 95. Management assessed the magnitude of any actual or potential misstatement resulting from the changes described above and concluded that the magnitude of any actual or potential misstatement was limited to the classification of certain items in the Cash Flows from Operating Activities and Cash Flows from Investing Activities sections of the Consolidated Statements of Cash Flows and did not affect any other part of the Consolidated Statements of Cash Flows or any of the Company's other financial statements.

Table of Contents

Based upon the evaluation described above, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in timely alerting them to the material information relating to the Company required to be included in its periodic filings with the Securities and Exchange Commission.

For the quarter ended December 31, 2003, there was no significant change in the Company's internal control over financial reporting that was identified in connection with management's evaluation described in Item 9A above and has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or internal controls will prevent all possible error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this Item 10 with respect to directors, the Audit Committee of the Board of Directors and Audit Committee financial experts is incorporated into this report by reference to the Company's Proxy Statement for the 2004 Annual Meeting of Shareholders (Proxy Statement), and in particular to the information in the Proxy Statement under the captions Election of Directors and The Audit Committee. Information concerning executive officers is contained in Item 1 of this report under the caption Executive Officers. Information regarding Section 16(a) compliance is incorporated into this report by reference to the information contained under the caption Compliance With Section 16(a) of the Securities Exchange Act of 1934 in the Proxy Statement.

The Company has adopted a Code of Business Conduct and Ethics that applies to all of its directors, officers, and employees. This Code is publicly available on the Company's website at www.cashamerica.com. Amendments to this Code and any grant of a waiver from a provision of the Code requiring disclosure under applicable SEC rules will be disclosed on the Company's website. The Company's Corporate Governance Principles, as well as the charters of the Board of Directors' Audit Committee, Management Development and Compensation Committee, and Nominating and Corporate Governance Committee, are also available on the Company's website. These materials may also be requested in print by writing to the Company's Secretary at Cash America International, Inc., 1600 West 7th Street, Fort Worth, Texas 76102.

ITEM 11. EXECUTIVE COMPENSATION

Information contained under the caption Executive Compensation in the Proxy Statement is incorporated by reference into this report in response to this Item 11.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information contained under the captions Security Ownership of Certain Beneficial Owners and Management and Executive Compensation Equity Compensation Plan Information in the Proxy Statement is incorporated into this report by reference in response to this Item 12.

Table of Contents

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information contained under the caption **Executive Compensation** in the Proxy Statement is incorporated into this report by reference in response to this Item 13.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information contained under the caption **Principal Accounting Fees and Services** in the Proxy Statement is incorporated into this report by reference in response to this Item 14.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Financial Statements: See Item 8, **Financial Statements and Supplementary Data**, on page 42 through 73 hereof, for a list of the Company's consolidated financial statements and report of Registered Public Accounting Firm.

(2) Financial Statement Schedule: The following financial statement schedule of the Company is included herein on page 79 through 80.

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	79
Schedule II Valuation Accounts	80

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions, are inapplicable, or the required information is included elsewhere in the financial statements.

(3) Exhibits required by Item 601 of Regulation S-K: The exhibits filed in response to this item are listed in the Exhibit Index on page 81 through 84.

(b) Reports on Form 8-K

On October 23, 2003, the Company filed a Report on Form 8-K that it had issued a press release announcing its earnings for the third quarter of 2003. A copy of the press release was filed with the report as an exhibit.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 5, 2004.

CASH AMERICA INTERNATIONAL, INC.

By: /s/ Daniel R. Feehan

Daniel R. Feehan
Chief Executive Officer and President

By: /s/ Thomas A. Bessant

Thomas A. Bessant, Jr.
*Executive Vice President and Chief
Financial Officer (Principal Financial and
Accounting Officer)*

Table of Contents

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON FINANCIAL STATEMENT SCHEDULE**

**To the Board of Directors and Stockholders
Cash America International, Inc.**

Our audits of the consolidated financial statements referred to in our report dated February 23, 2004, except for the second paragraph of Note 2, as to which the date is September 20, 2004, also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K/A of Cash America International, Inc. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Fort Worth, Texas
February 23, 2004, except for the second paragraph of Note 2,
as to which the date is September 20, 2004

Table of Contents

SCHEDULE II

CASH AMERICA INTERNATIONAL, INC.
VALUATION ACCOUNTS
For the Three Years Ended December 31, 2003
(dollars in thousands)

Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Expense	Charged To Other		
Allowance for losses on cash advances					
Year Ended:					
December 31, 2003	\$ 1,748	\$ 10,756	\$ 3,397^(a)	\$ 12,453	\$ 3,448
December 31, 2002	\$ 711	\$ 6,676	\$ 2,052 ^(a)	\$ 7,691	\$ 1,748
December 31, 2001	\$ 243	\$ 2,301	\$ 302 ^(a)	\$ 2,135	\$ 711
Allowance for valuation of inventory					
Year Ended:					
December 31, 2003	\$ 1,445	\$ 770	\$	\$ 799^(b)	\$ 1,416
December 31, 2002	\$ 1,589	\$ 904	\$	\$ 1,048 ^(b)	\$ 1,445
December 31, 2001	\$ 2,012	\$ 745	\$	\$ 1,168 ^(b)	\$ 1,589
Allowance for valuation of deferred tax assets					
Year Ended:					
December 31, 2003	\$ 7,691	\$ (487)	\$	\$	\$ 7,204
December 31, 2002	\$ 7,628	\$ 63	\$	\$	\$ 7,691
December 31, 2001	\$ 7,919	\$	\$	\$ 291	\$ 7,628
Allowance for valuation of discontinued operations					
Year Ended:					
December 31, 2003	\$ 623	\$ 36	\$	\$ 270	\$ 389
December 31, 2002	\$ 8,093	\$ (1,214)	\$	\$ 6,256	\$ 623

December 31, 2001	\$	\$10,961	\$	\$ 2,868	\$ 8,093
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(a) Recoveries.

(b) Deducted from allowance for write-off or other disposition of merchandise.

80

Table of Contents**EXHIBIT INDEX**

The following documents are filed as a part of this report. Those exhibits previously filed and incorporated herein by reference are identified by reference to the list of prior filings after the list of exhibits. Exhibits not required for this report have been omitted.

Exhibit	Description
2.1	Asset Purchase Agreement dated June 30, 2003 by and among Cashland, Inc., Schear Financial Services, Inc., Lee Schear; The Mafre A. Brunner Irrevocable Trust dated May 12, 1993, and Cash America International, Inc. (a) (Exhibit 2.1)
3.1	Articles of Incorporation of Cash America Investments, Inc. filed in the office of the Secretary of State of Texas on October 4, 1984. (b) (Exhibit 3.1)
3.2	Articles of Amendment to the Articles of Incorporation of Cash America Investments, Inc. filed in the office of the Secretary of State of Texas on October 26, 1984. (b) (Exhibit 3.2)
3.3	Articles of Amendment to the Articles of Incorporation of Cash America Investments, Inc. filed in the office of the Secretary of State of Texas on September 24, 1986. (b) (Exhibit 3.3)
3.4	Articles of Amendment to the Articles of Incorporation of Cash America Investments, Inc. filed in the office of the Secretary of State of Texas on September 30, 1987. (c) (Exhibit 3.4)
3.5	Articles of Amendment to the Articles of Incorporation of Cash America Investments, Inc. filed in the office of the Secretary of State of Texas on April 23, 1992 to change the Company's name to Cash America International, Inc. (d) (Exhibit 3.5)
3.6	Articles of Amendment to the Articles of Incorporation of Cash America International, Inc. filed in Office of the Secretary of State of Texas on May 21, 1993. (e) (Exhibit 3.6)
3.7	Bylaws of Cash America International, Inc. (f) (Exhibit 3.5)
3.8	Amendment to Bylaws of Cash America International, Inc. dated effective September 26, 1990. (g) (Exhibit 3.6)
3.9	Amendment to Bylaws of Cash America International, Inc. dated effective April 22, 1992. (d) (Exhibit 3.8)
4.1	Form of Stock Certificate. (d) (Exhibit 4.1)
10.1	1989 Non-Employee Director Stock Option Plan. (h) (Exhibit 10.47)
10.2	Amendment to 1989 Non-Employee Director Stock Option Plan dated April 24, 1996. (i) (Exhibit 10.4)
10.3	1989 Key Employee Stock Option Plan. (h) (Exhibit 10.48)
10.4	Amendment to 1989 Key Employee Stock Option Plan dated January 21, 1997. (i) (Exhibit 10.6)

- 10.5 1994 Long-Term Incentive Plan. (j) (Exhibit 10.5)
- 10.6 Amendment to 1994 Long-Term Incentive Plan dated July 22, 1997. (k) (Exhibit 10.1)
- 10.7 Amendment to 1994 Long-Term Incentive Plan dated April 20, 1999. (s) (Exhibit 10.1)
- 10.8 Amendment to 1994 Long-Term Incentive Plan dated May 16, 2001. (x) (Exhibit 10.8)
- 10.9 Amendment and Restated Executive Employment Agreement between the Company and Mr. Feehan dated as of April 29, 2001. (u) (Exhibit 10.1)
- 10.10 Consultation Agreements between the Company and Messrs. Dike, Hunter, Motheral, and Rizzo, each dated April 25, 1990. (l) (Exhibit 10.49)

Table of Contents

Exhibit	Description
10.11	Note Agreement between the Company and Teachers Insurance and Annuity Association of America dated as of May 6, 1993. (m) (Exhibit 10.1)
10.12	First Supplement to Note Agreement between the Company and Teacher Insurance and Annuity Association of America dated as of September 20, 1994. (j) (Exhibit 10.11)
10.13	Second Supplement (May 12, 1995), Third Supplement (July 7, 1995), and Fourth Supplement (November 10, 1995) to 1993 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (n) (Exhibit 10.1)
10.14	Fifth Supplement (December 30, 1996) to 1993 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (i) (Exhibit 10.13)
10.15	Sixth Supplement (December 30, 1997) to 1993 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (o) (Exhibit 10.16)
10.16	Seventh Supplement (December 31, 1998) to 1993 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (p) (Exhibit 10.18)
10.17	Eighth Supplement (September 29, 1999) to 1993 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (q) (Exhibit 10.3)
10.18	Ninth Supplement (June 30, 2000) to 1993 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (t) (Exhibit 10.3)
10.19	Tenth Supplement (September 30, 2001) to 1993 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (v) (Exhibit 10.18)
10.20	Note Agreement between the Company and Teachers Insurance and Annuity Association of America dated as of July 7, 1995. (r) (Exhibit 10.1)
10.21	First Supplement (November 10, 1995) to 1995 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (n) (Exhibit 10.2)
10.22	Second Supplement (December 30, 1996) to 1995 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (i) (Exhibit 10.16)
10.23	Third Supplement (December 30, 1997) to 1995 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (o) (Exhibit 10.20)
10.24	Fourth Supplement (December 31, 1998) to 1995 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (p) (Exhibit 10.23)
10.25	Fifth Supplement (September 29, 1999) to 1995 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (q) (Exhibit 10.2)

- 10.26 Sixth Supplement (June 30, 2000) to 1995 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (t) (Exhibit 10.2)
- 10.27 Seventh Supplement (September 30, 2001) to 1995 Note Agreement between the Company and Teachers Insurance and Annuity Association of America. (v) (Exhibit 10.26)
- 10.28 Note Agreement dated as of December 1, 1997 among the Company and the Purchasers named therein for the issuance of the Company's 7.10% Senior Notes due January 2, 2008 in the aggregate principal amount of \$30,000,000. (o) (Exhibit 10.23)
- 10.29 First Supplement (December 31, 1998) to Note Agreement dated as of December 1, 1997 among the Company and the purchasers named herein. (p) (Exhibit 10.29)
- 10.30 Second Supplement (September 29, 1999) to Note Agreement dated as of December 1, 1997 among the Company and the purchasers named herein. (q) (Exhibit 10.1)

Table of Contents

Exhibit	Description
10.31	Third Supplement (June 30, 2000) to Note Agreement dated as of December 1, 1997 among the Company and the purchasers named herein. (t) (Exhibit 10.1)
10.32	Fourth Supplement (September 30, 2000) to Note Agreement dated as of December 1, 1997 among the Company and the purchasers named herein. (v) (Exhibit 10.38)
10.33	Note Agreement dated as of August 12, 2002 among the Company and the Purchasers named therein for the issuance of the Company's 7.20% Senior Notes due August 12, 2009 in the aggregate principal amount of \$42,500,000. (w) (Exhibit 10.1)
10.34	Credit Agreement among the Company, certain lenders named therein, and Wells Fargo Bank Texas, National Association, as Administrative Agent dated as of August 14, 2002. (x) (Exhibit 10.2)
10.35	First Amendment to Credit Agreement dated July 31, 2003 among the Company and the Lenders named herein, Wells Fargo Bank Texas National Association, as Administrative Agent and Bank One N.A., as Documentation Agent. (a) (Exhibit 10.1)
14	Code of Ethics. The Company's Code of Business Conduct and Ethics may be accessed via the Company's website at www.cashamerica.com .
21	Subsidiaries of Cash America International, Inc.
23	Consent of PricewaterhouseCoopers LLP.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) promulgated under the Securities Exchange Act of 1934.
31.2	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) promulgated under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Certain Exhibits are incorporated by reference to the Exhibits shown in parenthesis contained in the Company's following filings with the Securities and Exchange Commission:

- (a) Current Report on Form 8-K dated July 31, 2003.
- (b) Registration Statement Form S-1, File No. 33-10752.
- (c) Amendment No. 1 to its Registration Statement on Form S-4, File No. 33-17275.

Edgar Filing: HALCON RESOURCES CORP - Form PRE 14A

- (d) Annual Report on Form 10-K for the year ended December 31, 1992.
- (e) Annual Report on Form 10-K for the year ended December 31, 1993.
- (f) Post-Effective Amendment No. 1 to its Registration Statement on Form S-4, File No. 33-17275.
- (g) Annual Report on Form 10-K for the year ended December 31, 1990.
- (h) Annual Report on Form 10-K for the year ended December 31, 1989.
- (i) Annual Report on Form 10-K for the year ended December 31, 1996.
- (j) Annual Report on Form 10-K for the year ended December 31, 1994.
- (k) Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.
- (l) Post-Effective Amendment No. 4 to its Registration Statement on Form S-4, File No. 33-17275.

Table of Contents

Exhibit	Description
(m)	Quarterly Report on Form 10-Q for the quarter ended March 31, 1993.
(n)	Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
(o)	Annual Report on Form 10-K for the year ended December 31, 1997.
(p)	Annual Report on Form 10-K for the year ended December 31, 1998.
(q)	Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
(r)	Quarterly Report on Form 10-Q for the quarter ended June 30, 1995.
(s)	Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.
(t)	Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
(u)	Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
(v)	Annual Report on Form 10-K for the year ended December 31, 2001.
(w)	Current Report on Form 8-K dated August 15, 2002.
(x)	Annual Report on Form 10-K for the year ended December 31, 2002.