

JAKKS PACIFIC INC
Form 8-K
April 04, 2018

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 29, 2018

JAKKS PACIFIC, INC.
(Exact name of registrant as specified in its charter)

| | | |
|--|---|---|
| Delaware (State or other jurisdiction of incorporation) | 0-28104 (Commission File Number) | 95-4527222 (IRS Employer Identification No.) |
|--|---|---|

2951 28th Street, Santa Monica, California 90405
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (424) 268-9444

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

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

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

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

Edgar Filing: JAKKS PACIFIC INC - Form 8-K

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers.

The employment agreements for Stephen Berman, our President and Chief Executive Officer, and for John (Jack) McGrath, our Chief Operating Officer, provide, inter alia, that for fiscal year 2018, their respective Annual Performance Bonuses will depend on our achieving certain performance criteria. The performance measures are based upon net revenues and EBITDA (earnings before interest, taxes, depreciation and amortization) with each performance measure weighted 50%. The specific performance criteria is to be determined by the Compensation Committee of our Board of Directors (the "Board") before the end of the Company's first fiscal quarter. The performance criteria for Messrs. Berman and McGrath's respective 2018 Annual Performance Bonuses have been established by the Compensation Committee, and are set forth below: (i) if the minimum EBITDA threshold of \$28.2 million is not met no Annual Performance Bonus will be earned regardless of the amount of net revenue, subject to the discretion of the Committee described below, and (ii) the net revenue criteria used to calculate the Annual Performance Bonus cannot be higher than two tiers above the EBITDA tier actually achieved, subject to the Committee's exercise of its discretion to make adjustments to such conditions as described below. The following examples are provided as an illustration of the foregoing conditions: (1) if the Company achieves net revenue of \$700 million and EBITDA of \$25 million, the Annual Performance Bonus would be zero because the threshold EBITDA target was not achieved; and, as another example, (2) if the Company achieves net revenue of \$700 million and EBITDA of \$32 million, the portion of the Annual Performance Bonus calculated according to the net revenue criteria would be limited to 80% (i.e. two higher than the EBITDA level achieved) and the pay-out for the portion calculated according to the EBITDA criteria would be 40%; subject to the Committee's exercise of its discretion to make adjustments to such conditions as provided below. The employment agreement for our new Chief Financial Officer, Brent Novak, provides that the performance criteria for determination of his Annual Performance Bonus will be the same as for Mr. McGrath, and the maximum bonus for Mr. Novak will be \$631,250.00, which is 125% of his base salary of \$505,000.00 (prorated according to the commencement date of his employment on April 1, 2018.)

The performance criteria, bonus targets and bonus percentages may be adjusted in the sole discretion of the Compensation Committee to take account of extraordinary or special items, or as otherwise may be permitted by the Plan, and the Compensation Committee also specifically reserved the right to modify the performance criteria, bonus targets and bonus percentages in the exercise of its negative discretion to take account of banking and legal fees incurred in connection with any transactions arising as a result of the expression of interest received from Hong Kong Meisheng Cultural Company Limited; the effect on the performance criteria of the bankruptcy of Toys "R US, and unforeseen market and general economic conditions.

The criteria for the 2018 bonuses have been established by the Compensation Committee, after discussion with its consultant, Willis Towers Watson, as follows, subject to the conditions described in the preceding paragraphs:

Berman / CEO

2018 Annual Salary \$1,500,000

Maximum Bonus (300%) \$4,500,000

| Bonus as % of Target | Weighting - 50% | | Weighting - 50% | |
|----------------------|-----------------------------|------------------------|-----------------|----------------|
| | Net Revenue (\$Millions) | EBITDA (\$Millions) | Target Bonus = | Target Bonus = |
| | Target Bonus = | Target Bonus = | \$750,000 | \$750,000 |
| | Max Bonus = | Max Bonus = | \$2,250,000 | \$2,250,000 |
| 0% | <\$569.8 | | <\$28.2 | |
| 20% | \$569.8 | \$583.9 | \$28.2 | \$29.5 |
| 40% | \$584.0 | \$598.5 | \$29.6 | \$31.0 |
| 60% | \$598.6 | \$613.5 | \$31.1 | \$32.6 |
| 80% | \$613.6 | \$628.8 | \$32.7 | \$34.2 |
| 100% | \$628.9 | \$660.3 | \$34.3 | \$36.0 |
| 120% | \$660.4 | \$693.3 | \$36.1 | \$37.8 |
| 140% | \$693.4 | \$728.0 | \$37.9 | \$39.7 |
| 160% | \$728.1 | \$764.4 | \$39.8 | \$41.7 |
| 180% | \$764.5 | \$802.6 | \$41.8 | \$43.8 |
| 200% | \$802.7 | \$842.7 | \$43.9 | \$46.0 |
| 220% | \$842.8 | \$884.8 | \$46.1 | \$48.3 |
| 240% | \$884.9 | \$929.0 | \$48.4 | \$50.7 |
| 260% | \$929.1 | \$975.5 | \$50.8 | \$53.2 |
| 280% | \$975.6 | \$1,024.3 | \$53.3 | \$55.9 |
| 300% | \$1,024.4 | and up | \$56.0 | and up |

McGrath / COO

2018 Annual Salary \$ 705,000

Maximum Bonus (125%) \$ 881,250

| | Weighting - 50% | | Weighting - 50% | |
|----------------------|-----------------|-----------|-----------------|--------|
| | Net Revenue | | EBITDA | |
| | (\$Millions) | | (\$Millions) | |
| Bonus as % of Target | Target Bonus = | | Target Bonus = | |
| | \$352,500 | | = \$352,500 | |
| | Max Bonus = | | Max Bonus = | |
| | \$440,625 | | \$440,625 | |
| 0.0% | <\$569.8 | | <\$28.2 | |
| 20.0% | \$569.8 | \$583.9 | \$28.2 | \$29.5 |
| 40.0% | \$584.0 | \$598.5 | \$29.6 | \$31.0 |
| 60.0% | \$598.6 | \$613.5 | \$31.1 | \$32.6 |
| 80.0% | \$613.6 | \$628.8 | \$32.7 | \$34.2 |
| 100.0% | \$628.9 | \$660.3 | \$34.3 | \$36.0 |
| 102.5% | \$660.4 | \$693.3 | \$36.1 | \$37.8 |
| 105.0% | \$693.4 | \$728.0 | \$37.9 | \$39.7 |
| 107.5% | \$728.1 | \$764.4 | \$39.8 | \$41.7 |
| 110.0% | \$764.5 | \$802.6 | \$41.8 | \$43.8 |
| 112.5% | \$802.7 | \$842.7 | \$43.9 | \$46.0 |
| 115.0% | \$842.8 | \$884.8 | \$46.1 | \$48.3 |
| 117.5% | \$884.9 | \$929.0 | \$48.4 | \$50.7 |
| 120.0% | \$929.1 | \$975.5 | \$50.8 | \$53.2 |
| 122.5% | \$975.6 | \$1,024.3 | \$53.3 | \$55.9 |
| 125.0% | \$1,024.4 | and up | \$56.0 | and up |

SIGNATURES

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

JAKKS PACIFIC, INC.

Dated: April 4, 2018

By:

Stephen G. Berman, CEO