

CEC ENTERTAINMENT INC
Form 10-K/A
April 29, 2019

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

FORM 10-K/A
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 30, 2018

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 1-13687

CEC ENTERTAINMENT, INC.
(Exact name of registrant as specified, in its charter)

Kansas 48-0905805
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)
1707 Market Place Blvd, Suite 200
Irving, Texas 75063
(Address of principal executive offices) (Zip Code)
(972) 258-8507
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Title of each class Name of each exchange on which registered
None None
Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

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filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of July 1, 2018, the last business day of the registrant’s most recently completed second fiscal quarter, no voting or non-voting common equity of the registrant is held by non-affiliates.

As of February 25, 2019, an aggregate of 200 shares of the registrant’s common stock, par value \$0.01 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

CEC ENTERTAINMENT, INC.
TABLE OF CONTENTS

	Page
<u>Explanatory Note</u>	<u>3</u>
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	<u>4</u>
PART III	
ITEM 11. <u>Executive and Director Compensation</u>	<u>6</u>
PART IV	
ITEM 15. <u>Exhibits and Financial Statement Schedules</u>	<u>13</u>
<u>SIGNATURES</u>	
<u>EXHIBIT INDEX</u>	

Explanatory Note

CEC Entertainment, Inc. (the “Company”) is filing this Amendment No. 1 on Form 10-K/A (the “Amendment”) to its Annual Report on Form 10-K for the year ended December 30, 2018, as filed with the Securities and Exchange Commission (“SEC”) on March 12, 2019 (the “Original Form 10-K”), in accordance with General Instruction G(3) to Form 10-K.

In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by our principal executive officer and principal financial officer are filed as exhibits to this Amendment under Item 15 of Part IV hereof.

Except for the information described above, the Amendment does not amend or otherwise update any other information in the Original Form 10-K, and speaks of the filing date of our Original Form 10-K. Events occurring after the date of the Original Form 10-K or other disclosures necessary to reflect subsequent events have been or will be addressed in other reports filed with the SEC subsequent to the date of the Original Form 10-K.

As used throughout this Amendment, the terms “CEC Entertainment,” “we,” “us,” and “our,” refer to CEC Entertainment, Inc. and its subsidiaries.

As used in this report, the terms “CEC Entertainment,” “we,” “Company,” “us,” and “our” refer to CEC Entertainment, Inc. and its subsidiaries.

Cautionary Statement Regarding Forward-Looking Statements

This report contains forward-looking statements, which involve risks and uncertainties. These forward-looking statements are generally identified by the use of forward-looking terminology, including the terms “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would” and negative or other various or comparable terminology. All statements other than statements of historical facts contained in this report, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements. The forward-looking statements are contained principally in Part I, Item 1. “Business”, Part 1, Item 1A. “Risk Factors” and Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of the Company’s Original Form 10-K filed with the SEC on March 12, 2019, and include, among other things, statements relating to:

- our strategy, outlook and growth prospects;
- our operational and financial targets and dividend policy;
- our planned expansion of the venue base and the implementation of the new design in our existing venues;
- general economic trends and trends in the industry and markets; and
- the competitive environment in which we operate.

These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause our results to vary from expectations include, but are not limited to:

- negative publicity and changes in consumer preference;
- our ability to successfully expand and update our current venue base;
- our ability to successfully implement our marketing strategy;
- our ability to compete effectively in an environment of intense competition;
- our ability to weather economic uncertainty and changes in consumer discretionary spending;
- increases in food, labor and other operating costs;
- our ability to successfully open international franchises and to operate under the U.S. and foreign anti-corruption laws that govern those international ventures;
- risks related to our substantial indebtedness;
- failure of our information technology systems to support our current and growing businesses;
- disruptions to our commodity distribution system;
- our dependence on third-party vendors to provide us with sufficient quantities of new entertainment-related equipment, prizes and merchandise at acceptable prices;
- risks from product liability claims and product recalls;
- the impact of governmental laws and regulations and the outcomes of legal proceedings;
- potential liability under certain state property laws;
- fluctuations in our financial results due to new venue openings;
- local conditions, natural disasters, terrorist attacks and other events and public health issues;
- the seasonality of our business;
- inadequate insurance coverage;
- labor shortages and immigration reform;
- loss of certain personnel;
- our ability to adequately protect our trademarks or other proprietary rights;
- our ability to pay our fixed rental payments;

our ability to successfully integrate the operations of companies we acquire;

4

- impairment charges for goodwill, indefinite-lived intangible assets or other long-lived assets;
- our failure to maintain adequate internal controls over our financial and management systems; and
- other risks, uncertainties and factors set forth in Part I, Item 1A. “Risk Factors” of the Company’s Original Form 10-K filed with the SEC on March 12, 2019.

The forward-looking statements made in this report reflect our views with respect to future events as of the date of this report and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, undue reliance should not be placed on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this report and, except as required by law, we undertake no obligation to update or review publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this report. We anticipate that subsequent events and developments will cause our views to change. This report should be read completely and with the understanding that our actual future results may be materially different from what we expect. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may undertake. We qualify all of our forward-looking statements by these cautionary statements.

ITEM 11. Executive and Director Compensation

We are an “emerging growth company” as defined under the Jumpstart Our Business Startups (JOBS) Act. As such, we are permitted to meet the disclosure requirements of Item 402 of Regulation S-K by providing the reduced disclosures required of a “smaller reporting company.”

Summary Compensation Table

The Summary Compensation Table sets forth information regarding the compensation paid to, awarded to, or earned by our Chief Executive Officer and our two other most highly compensated executive officers in Fiscal 2018 for services rendered in all capacities during Fiscal 2018, Fiscal 2017, and Fiscal 2016:

Name and Principal Position	Year	Non-Equity Incentive Plan Compensation ⁽²⁾		All Other Compensation ⁽³⁾	Total
		Year Salary (\$)	(\$)		
Thomas Leverton Chief Executive Officer	2018	550,000	300,728	24,000	874,728
	2017	550,000	—	24,000	574,000
	2016	550,000	477,400	24,000	1,051,400
J. Roger Cardinale President	2018	485,000	260,337	18,000	763,337
	2017	485,000	—	18,000	503,000
	2016	485,000	406,430	18,000	909,430
James Howell ⁽¹⁾ Executive Vice President and Chief Financial Officer	2018	100,000	121,532	—	221,532
	2017	n/a	n/a	n/a	n/a
	2016	n/a	n/a	n/a	n/a
Dale Black ⁽⁴⁾ Former Executive Vice President and Chief Financial Officer	2018	307,692	—	19,083	326,775
	2017	400,000	—	—	400,000
	2016	400,000	320,160	70,893	791,053

⁽¹⁾ Mr. Howell began his employment with CEC Entertainment in September 2018.

⁽²⁾ See “-Narrative Disclosure To Summary Compensation Table - Non Equity Incentive Plan Compensation,” below for more information about the terms of these awards.

(3) See the table below for additional information about the compensation included under “All Other Compensation” for 2018, 2017 and 2016.

Name	Year	Car Allowance/Car Insurance (\$)	Moving Expense Reimbursement (\$)	Vacation Pay on Termination (\$)	Total (\$)
Thomas Leverton	2018	24,000	—	—	24,000
	2017	24,000	—	—	24,000
	2016	24,000	—	—	24,000
J. Roger Cardinale	2018	18,000	—	—	18,000
	2017	18,000	—	—	18,000
	2016	18,000	—	—	18,000
James Howell	2018	—	—	—	—
	2017	n/a	n/a	n/a	n/a
	2016	n/a	n/a	n/a	n/a
Dale Black	2018	—	—	19,083	19,083
	2017	—	—	—	—
	2016	—	70,893	—	70,893

(4) The salary paid to Mr. Black in 2018 was his base salary of \$400,000, prorated for the period from January 1, 2018 to September 21, 2018, his last date of employment with the Company.

Narrative Disclosure to Summary Compensation Table

Employment Agreements with Named Executive Officers

On July 30, 2014, CEC Entertainment entered into employment agreements with Messrs. Leverton and Cardinale, and on December 20, 2018, CEC Entertainment entered into an employment agreement with Mr. Howell. Each of these agreements contains substantially similar terms and conditions of employment, including a five-year term. The employment agreements provide for an annual base salary of \$550,000 for Mr. Leverton, \$485,000 for Mr. Cardinale, and \$400,000 for Mr. Howell. The agreements also provide for maximum annual bonus opportunities equal to 150% of the named executive’s respective base salary. Finally, all of our named executive officers are entitled to receive, pursuant to the terms of their employment agreements, employee benefits provided to senior executives of the Company.

Under each employment agreement, if the executive is terminated by the Company without “cause” or resigns for “good reason” during the “employment period” (each as defined in the employment agreement), then, subject to his execution, delivery, and non revocation of a release of claims in favor of the Company, the executive will be entitled to receive a lump-sum payment of cash severance equal to the sum of his base salary and the annual bonus paid or to be paid with respect to the fiscal year completed most recently prior to the employment termination date. Each employment agreement also provides for certain restrictive covenants, including 12-month post-termination noncompetition and nonsolicitation covenants.

The employment agreements also (a) required that each named executive officer purchase common stock of Parent having an aggregate value as of the date of purchase equal to \$1,500,000, in the case of Mr. Cardinale; \$500,000, in the case of Mr. Leverton; and \$300,000, in the case of Mr. Howell, to be made as an initial investment of \$150,000 and up to \$150,000 of Mr. Howell’s annual bonus, net of applicable taxes, until such amount reaches \$150,000; (b) provided for a one time grant of stock options to purchase common stock of Parent representing a percentage of the fully diluted shares of common stock of Parent equal to 1.50% (580,875 shares), in the case of Mr. Leverton; 1.00% (387,249 shares), in the case of Mr. Cardinale; and 0.545% (211,054 shares), in the case of Mr. Howell (which stock options were granted on January 30, 2019); and (c) for Mr. Leverton only, provided for a one time award of restricted shares of Parent having an aggregate grant date value equal to \$550,000, prorated for the number of days he served during 2014 (which reduced, dollar-for-dollar, his annual bonus for 2014). All such equity awards were granted pursuant to the terms of the Queso Holdings Inc. 2014 Equity Incentive Plan (the “Equity Incentive Plan”) and award agreements. Mr. Howell purchased his initial investment of common stock of Parent on December 21, 2018.

The awards of stock options to each of our named executive officers remain subject to certain service- and performance-based vesting criteria, and are eligible for accelerated vesting in the event of certain terminations of employment within a specified period following a sale of Parent. (See “-Potential Payments Upon Termination or Change in Control: Accelerated Vesting of Stock Options: Option to Repurchase Stock,” below.) The award of restricted shares granted to Mr. Leverton vested in full on March 10, 2015.

On October 12, 2018, CEC Entertainment entered into an “Amendment to Employment Agreement” with each of Messrs. Leverton and Cardinale, pursuant to which (a) their original employment agreements were extended for an additional term of one

year, to be automatically extended thereafter for successive one-year terms unless either party gives notice of an intention not to further extend the term at least 90 days before the applicable renewal date of the agreement; (b) provided for a stock bonus grant valued at \$70,140 for Mr. Leverton and \$63,263 for Mr. Cardinale, to be granted on or about January 1, 2019; (c) established the Company's obligations to the named executive officers in the event the Employment Period defined in their agreements expires as a result of either (i) the Company's non-extension of the Agreement without Cause, or (ii) the Executive's non-extension of the Agreement for Good Reason; and (d) updated the Notice provision of the Employment Agreements.

In connection with the purchase of the shares of Parent and the grant of stock options, each of our named executive officers became a party to an investor rights agreement among CEC Entertainment, AP VIII CEC Holdings, LP f/k/a AP VIII Queso Holdings, L.P., an affiliate of our sponsor, and other shareholder parties. The shares purchased by the executive or received by the executive upon exercise of a vested option or lapse of forfeiture conditions on restricted shares are subject to repurchase by Parent under certain circumstances.

Non-Equity Incentive Plan Compensation

For 2018, the Compensation Committee determined that pro forma Adjusted EBITDA (as defined in the Alternative Incentive Bonus Plan, referred to herein as "Adjusted EBITDA") for the incentive period covering August 2018 through December 2018 (5/12 of the fiscal year) was an appropriate quantitative measure of CEC Entertainment's performance for purposes of determining the incentive compensation to be awarded to each of our named executive officers under the 2018 Alternative Support Center Incentive Bonus Plan (the "Alternative Incentive Bonus Plan"). The Compensation Committee also determined that the Alternative Incentive Bonus Plan should have a discretionary component to reward individual performance. In no event would a cash bonus be paid under the Alternative Incentive Bonus Plan with respect to any given performance measure unless the minimum target for the incentive period covering August 2018 through December 2018 (5/12 of the fiscal year) as predetermined by the Compensation Committee was attained.

For 2018, the actual bonus that could have been earned by an eligible employee was equal to the employee's gross base earnings for the year (which was equal to the gross salary paid to the employee during fiscal year 2018), multiplied by his or her target bonus percentage, multiplied by the sum of the multipliers for each of the two measurable components of the Alternative Incentive Bonus Plan, each measured for the Company: (i) Adjusted EBITDA, and (ii) a discretionary portion that was based on the employee's individual performance. The two components were weighted as follows:

Metric	Total Bonus %
Adjusted EBITDA	80%
Discretionary	20%
Total	100%

For 2018, the Compensation Committee set the target, minimum, and maximum levels for payout eligibility under the Alternative Incentive Bonus Plan's performance measure of Adjusted EBITDA as follows (all dollar figures are in millions):

Metric	Minimum ⁽¹⁾	Target	Maximum ⁽²⁾
Adjusted EBITDA ⁽³⁾	\$50.2	\$52.8	\$55.0

(1) If the minimum quantitative component of the Alternative Incentive Bonus Plan were achieved, the bonus payout, as a percentage of target, would be 50%.

(2) The maximum bonus payout on the quantitative component of the Alternative Incentive Bonus Plan, as a percentage of target, is 150%.

(3) Target for the incentive period covering August, 2018 through December, 2018 (5/12 of the 2018 Fiscal Year).

If the actual quantitative component achieved was either (i) greater than such component's minimum level but less than its target level or (ii) greater than such component's target level but less than its maximum level, then the portion of the bonus payable in respect of such component would be calculated based on a linear interpolation.

Actual CEC Entertainment performance on the quantitative measure considered for determination of payment eligibility in the Alternative Incentive Bonus Plan was \$54.7 million. The Company's Adjusted EBITDA of \$54.7

million resulted in a payout equal to 109.16% of the target for the Adjusted EBITDA component under the Alternative Incentive Bonus Plan. As this metric could contribute up to 80% of the total bonus available under the Incentive Bonus Plan, the actual payout for Adjusted EBITDA component was 87.33% of an eligible employees' target bonus (109.16% x 80% = 87.33%).

The Alternative Incentive Bonus Plan also provides that each employee may be awarded a discretionary bonus of up to 20% of the total target bonus percentage. The percentage of the discretionary bonus component awarded to an employee is decided by the employee's direct supervisor (or, in the case of our Chief Executive Officer, the Compensation Committee), whose decision is to be guided by the employee's individual performance during the year, measured by the employee's achievement of his or her

goals that were established in coordination with the supervisor or the Compensation Committee, as applicable at the beginning of the employee's review period. The discretionary component of the Alternative Incentive Bonus Plan cannot be achieved above 100% of target, and many employees were awarded less than 100% of the discretionary portion of the bonus.

Assuming a 100% award of the discretionary portion of the bonus, the maximum payout that an eligible employee could receive would be 107.33% of the employee's target bonus (87.33% + 20% = 107.33%). Mr. Howell's bonus payout was prorated for the time that he worked for the Company in 2018.

These calculations are set forth in the following table:

Metric	% Weighting	2018 Payout	
		Bonus as a % of Target	% of Base
Adjusted Plan EBITDA	80%	109.16%	87.3%
Discretionary	20%	100%	20%
Total	100%		107.3%

Based on these calculations, our named executive officers received the following bonuses under the Incentive Bonus Plan:

Name and Position	2018 Incentive Bonus Plan Payment
Tom Leverton, Chief Executive Officer	\$300,728
J. Roger Cardinale, President	\$260,337
James Howell, Chief Financial Officer	\$121,532
Dale Black, Former Chief Financial Officer ⁽¹⁾	—

(1) As Mr. Black's employment with the Company terminated as of September 21, 2018, he was not eligible to receive a payment under the Alternative Incentive Bonus Plan for 2018.

Indemnification Agreements

The board of directors has authorized the Company to enter into indemnification agreements with certain current and future directors and senior officers of the Company who may be designated from time to time by the board of directors, including each of our named executive officers. The indemnification agreements supplement and clarify existing indemnification provisions of the Company's Articles of Incorporation and Bylaws and, in general, require the Company, to the extent permitted under applicable law, to indemnify such persons against all expenses, judgments and fines incurred in connection with the defense or settlement of any actions brought against them by reason of the fact that they are or were directors or officers of the Company or any other enterprise, to the extent they assumed those responsibilities at the direction of the Company. The indemnification agreements also establish processes and procedures for indemnification claims, advancement of expenses and costs and other determinations with respect to indemnification.

Outstanding Equity Awards at 2018 Fiscal Year-End

The following table provides information on stock option awards held by our named executive officers as of December 30, 2018, the last day of our 2018 fiscal year. Each equity grant is shown separately for each named executive officer. The vesting schedule for each grant is shown following this table, based on the stock option award grant date.

Name	Option Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) (1)	Number of Securities Underlying Unearned Options (#) (1)	Options Exercise Price (\$) (2)	Option Expiration Date
Thomas Leverton	154,900	38,725	387,250	8.03	02/14/2024
J. Roger Cardinale	103,266	25,817	258,166	8.03	02/14/2024

James Howell ⁽³⁾ — — — — —

9

- Under the Queso Holdings Inc. Equity Incentive Plan Stock Option Agreement (the “Option Agreement”), which each named executive officer signed as a condition of receiving option grants from Parent, each of our named executive officers was awarded three tranches of stock options (with each of Tranche A, Tranche B, and Tranche C equal to $\frac{1}{3}$ of the total grant). As to Messrs. Leverton and Cardinale, Tranche A stock options vest and become exercisable in equal installments on each of the first five anniversaries of February 14, 2014. Tranche B stock options vest and become exercisable if AP VIII CEC Holdings, L.P. (f/k/a AP VIII Queso Holdings, L.P.), an affiliate of our
- (1) sponsor, and its affiliates realize a multiple on invested capital (“MOIC”) of at least 2.0x (with such MOIC to be calculated in accordance with the methodology set forth in the Equity Incentive Plan). Tranche C stock options vest and become exercisable if AP VIII CEC Holdings, L.P., an affiliate of our sponsor, and its affiliates realize an MOIC of at least 3.0x. For a description of the treatment of the stock option in the event of an initial public offering or change in control, please see the description below under the heading “- Potential Payments Upon Termination or Change in Control - Accelerated Vesting of Stock Options; Option to Repurchase Stock.” As of the same date, none of our named executive officers’ Tranche B and C stock options had vested.
- (2) The listed stock option exercise prices reflect adjustments taking into account dividends paid in 2015.
- (3) Mr. Howell had not been granted any stock options as of December 30, 2018.

Potential Payments Upon Termination or Change in Control

Severance Benefits

As described above, the employment agreements with each of Messrs. Leverton, Cardinale, and Howell provide for severance benefits upon a termination by the Company without “cause” or upon a resignation by the named executive officer with “good reason,” in either case consisting of a lump-sum payment (the “Severance Payment”) equal to the sum of one year of base salary plus the annual bonus paid to the named executive officer in respect of the most recently completed fiscal year. “Good reason” is defined as the occurrence of any of the following: (i) any reduction in base salary (or in the case of Mr. Leverton, reduction in base salary or maximum bonus opportunity), (ii) any material breach by the Company of the executive’s employment agreement, and (iii) a forced relocation of more than 50 miles from the executive’s principal place of employment. As indicated above, pursuant to the amendments to their Employment Agreements, the Company’s obligation to make a Severance Payment to Messrs. Leverton and Cardinale also attaches in the event of either (x) the Company’s non-extension of the Agreement without Cause, or (y) the Executive’s non-extension of the Agreement for Good Reason. In any event, the executive’s right to receive the Severance Payment is conditioned upon the execution, delivery, and non-revocation by the executive of a comprehensive release of claims in favor of the Company.

Accelerated Vesting of Stock Options; Option to Repurchase Stock

The Option Agreements signed by Messrs. Leverton and Cardinale provide that any Tranche A stock options that have not vested at the time of a termination of employment for any reason other than certain qualifying terminations of employment that occur within 6 months following a change in control will be canceled for no consideration. In the event of a change in control, however, any unvested Tranche A stock options are to be canceled and converted into a right to receive an amount of cash equal to the aggregate spread value of such unvested stock options at the time of the transaction (the “Converted Award”), which amount shall be contributed to a rabbi trust and is payable on the six-month anniversary of the change in control (or, if earlier, the original scheduled vesting date), as long as the named executive officer is still employed at that time. If the employment of Mr. Leverton or Mr. Cardinale, as applicable, is terminated without “cause” or by the executive for “good reason” (as each such term is defined in such executive’s employment agreement) before the six-month anniversary of the change in control, however, any then-outstanding portion of the Converted Award shall be released from the rabbi trust and paid within 10 days following such termination of employment.

In the event of an initial public offering, the original stock options vesting schedule for all stock options held by our named executive officers shall hold, with the exception that if any Tranche B or Tranche C stock options vest as a result of achievement of the applicable performance targets in such initial public offering, 50% of such stock options shall be exercisable upon the consummation of such offering, with the remaining 50% becoming exercisable on the later of (A) the first anniversary of the offering and (B) the third anniversary of the grant date, subject to the applicable named executive officer’s continued employment through the applicable date.

If the employment of our named executive officer is terminated for any reason other than “cause” independent of a change in control or initial public offering, all unvested stock options held by such named executive officer at the time of the termination of his employment will be canceled for no consideration, but vested stock options may be exercised for a defined period after the termination. A termination for “cause” will result in termination of all stock options, including those that have vested.

Each of Messrs. Leverton, Cardinale, and Howell also signed an “Investor Rights Agreement” as a condition of purchasing common stock of Parent pursuant to his employment agreement. That agreement provides that Parent or its designee may repurchase such stock from the officer in the event of termination of his employment prior to a public offering by Parent. If the executive’s termination is for any reason other than (i) by the Company for “cause” (as that term is defined in the Investor Rights Agreement), or (ii) a voluntary resignation by the executive, then the price that the Company or its designee will pay for the stock will be the fair market value of the stock as of the termination date. If the termination is by the Company for “cause,” or by

the executive for any reason, the price to be paid will be the lesser of the fair market value of the stock as of the termination date and the amount originally paid by the shareholder to acquire the shares, less any amount per share of any dividends or other distributions paid or payable to the shareholder since share purchase. Following the same framework, the Option Agreement allows the Company the same right (but not obligation) to repurchase any shares of common stock acquired by our named executive officers through option exercise.

As of December 30, 2018, 80% of the Tranche A stock options granted to Messrs. Leverton and Cardinale, had vested, so in the event of their termination as of that date for any reason (other than a termination for cause) and absent a change in control, these vested stock options would be available for exercise. Under the Option Agreement, such stock options remain exercisable as follows: (a) in the event of death or disability of the named executive officer, by the earlier of (1) one year following such termination and (2) the expiration of the option term; and (b) for all other terminations, by the earlier of (1) 90 days following such termination and (2) the expiration of the option term.

If, in connection with a change in control, the Company had terminated the employment of Messrs. Leverton or Cardinale without cause, or as the result of their respective resignation for good reason as of December 30, 2018, their respective Tranche A stock options would have vested in full.

In summary, therefore, assuming a severance-eligible termination as of December 30, 2018, each of our named executives would have been entitled to the following:

Name	Resignation with Good Reason (\$)	Termination Without Cause (\$)	Terminated Without Cause or Resignation with Good Reason Following a Change in Control (\$)
Thomas Leverton:			
• Salary	550,000	550,000	550,000
• Non-Equity Incentive Plan Compensation	300,728	300,728	300,728
• Accelerated payment of the Converted Award ⁽¹⁾	—	—	32,142
Totals	850,728	850,728	882,870
J. Roger Cardinale			
• Salary	485,000	485,000	485,000
• Non-Equity Incentive Plan Compensation	260,337	260,337	260,337
• Accelerated payment of the Converted Award ⁽¹⁾	—	—	21,428
Totals	745,337	745,337	766,765
James Howell			
• Salary	400,000	400,000	400,000
• Non-Equity Incentive Plan Compensation	121,532	121,532	121,532
• Accelerated vesting of unvested Tranche A stock options ⁽²⁾	n/a	n/a	n/a
Totals	521,532	521,532	521,532

Subject to the continued employment of Messrs. Leverton and Cardinale, as applicable, any portion of the Converted Award (i.e., the spread value of Tranche A stock options in a change in control) is payable on the

⁽¹⁾ six-month anniversary of such transaction. If, however, the employment of Mr. Leverton or Mr. Cardinale, as applicable, is terminated without cause or due to a resignation with good reason prior to such date, such named executive officer would be eligible to accelerated payment of the Converted Award.

⁽²⁾ As of December 30, 2018, Mr. Howell had not been granted any stock options.

DIRECTOR COMPENSATION

As of December 30, 2018, we compensated Allen Weiss for his services on our board of directors with an annual retainer fee of \$100,000. All other members of our board of directors receive no compensation. We reimburse our directors for travel expenses to and from our board meetings and other out-of-pocket expenses they incur when attending meetings or conducting their duties as directors.

The following table sets forth information concerning fees and other amounts earned or paid to each non-employee director of the Company during fiscal 2018:

Director Compensation for Fiscal 2018

Name ⁽¹⁾	Fees				Total
	Earned or Paid in Cash ⁽⁶⁾	Stock Awards	Option Awards	All Other Compensation	
Lance A. Milken ⁽²⁾	—	—	—	—	—
Michael Diverio ⁽³⁾	—	—	—	—	—
Allen R. Weiss ⁽³⁾	100,000	—	—	—	100,000
Andrew S. Jhawar ⁽⁴⁾	—	—	—	—	—
Naveen R. Shahani ⁽⁵⁾	—	—	—	—	—

⁽¹⁾ Mr. Leverton has been excluded from this table because his compensation is fully reflected in the Summary Compensation Table for executive officers.

⁽²⁾ Mr. Milken, who resigned as a director effective December 21, 2018, was an employee of Apollo through the date of his resignation and was therefore not awarded any compensation for his Board of Directors and committee service.

⁽³⁾ During Fiscal 2018, Mr. Diverio, who resigned as a director effective February 19, 2019, was an employees of Apollo and was not awarded any compensation for his board of directors and committee service. The Company is only compensating Mr. Weiss, the sole independent director of the board of directors, for his board of directors and committee service.

⁽⁴⁾ Mr. Jhawar was appointed to the Board to serve as Chairman of the Board, effective as of December 21, 2018. In addition, the Board also appointed Mr. Jhawar as Chairman of the Audit and Compensation Committees of the Board. Mr. Jhawar was an employee of Apollo during the period from December 21, 2018 through December 30, 2018 and was not awarded any compensation for his board of directors and committee service.

⁽⁵⁾ Mr. Shahani was appointed to the Board effective as of February 19, 2019.

⁽⁶⁾ This column reports the amount of cash compensation earned in 2018 for Board of Directors and committee service.

PART II – OTHER INFORMATION

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

The following information required under this item (other than Exhibit 31.3 and 31.4) were filed as part of the Original Form 10-K:

Financial Statements.

Financial Statement
Schedules.

Exhibits.

The exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index, which Exhibit Index is incorporated in this Annual Report on Form 10-K by reference.

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.

Dated: April 29, 2019 CEC Entertainment, Inc.

/s/ Thomas Leverton
Thomas Leverton
Chief Executive Officer and Director

EXHIBIT INDEX

Exhibit Number	Description
2.1	<u>Agreement and Plan of Merger, dated as of January 15, 2014, among Queso Holdings Inc., Q Merger Sub Inc., and CEC Entertainment, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)</u>
3.1	<u>Third Restated Articles of Incorporation of CEC Entertainment, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)</u>
3.2	<u>Second Amended and Restated Bylaws of CEC Entertainment, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)-</u>
4.1	<u>Indenture, dated as of February 19, 2014, among CEC Entertainment, Inc., the Subsidiary Guarantors party thereto from time to time and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)</u>
4.2	<u>Registration Rights Agreement, dated as of February 19, 2014, among CEC Entertainment, Inc., the Subsidiary Guarantors, Credit Suisse Securities (USA) LLC and Deutsche Bank Securities Inc. (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)</u>
4.3	<u>First Supplemental Indenture, dated as of October 9, 2014, among CEC Entertainment, Inc., CEC Entertainment Leasing Company and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-13687) as filed with the Commission on November 12, 2014)</u>
4.4	<u>Second Supplemental Indenture, dated as of November 20, 2014, among Peter Piper Holdings, Inc., CEC Entertainment, Inc., Peter Piper Inc., Peter Piper Mexico, LLC, Peter Piper Texas, LLC, Texas PP Beverage, Inc. and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 5, 2015)</u>
4.5	<u>Third Supplemental Indenture, dated as of March 19, 2015, among CEC Entertainment, Inc., CEC Leaseholder, LLC and Wilmington Trust, National Association (incorporated by reference to Exhibit 24.1 to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 28, 2018)</u>
4.6	<u>Fourth Supplemental Indenture, dated as of November 13, 2017, among CEC Entertainment, CEC Leaseholder #2, LLC and Wilmington Trust, National Association (incorporated by reference to Exhibit 24.1 to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 28, 2018)</u>
4.7	<u>Fifth Supplemental Indenture, dated as of January 24, 2018, among CEC Entertainment, Inc., CEC Entertainment International, LLC and Wilmington Trust, National Association (incorporated by reference to</u>

Exhibit 24.1 to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 28, 2018)

- 10.1 First Lien Credit Agreement, dated as of February 14, 2014, among Queso Holdings Inc., as Holdings, Q Merger Sub Inc., as Borrower, the Lenders party thereto, Deutsche Bank AG New York Branch, as Administrative Agent, Deutsche Bank Securities Inc., Credit Suisse Securities (USA) LLC, Morgan Stanley Senior Funding, Inc. and UBS Securities LLC, as Joint Lead Arrangers and Joint Bookrunners, Credit Suisse Securities (USA) LLC, as Syndication Agent, and Morgan Stanley Senior Funding, Inc. and UBS Securities LLC, as Documentation Agents (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)

- 10.2 Collateral Agreement (First Lien), dated as of February 14, 2014, among CEC Entertainment, Inc. (as successor by merger on the date thereof to Q Merger Sub Inc.), as Borrower, each Subsidiary Loan Party party thereto and Deutsche Bank AG New York Branch, as Collateral Agent (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)
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- 10.3 Holdings Guarantee and Pledge Agreement, dated as of February 14, 2014, between Queso Holdings Inc., as Holdings, and Deutsche Bank AG New York Branch, as Agent (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)
- 10.4 Subsidiary Guarantee Agreement (First Lien), dated as of February 14, 2014, among the subsidiaries of CEC Entertainment, Inc. named therein and Deutsche Bank AG New York Branch, as Collateral Agent (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)
- 10.5 Employment Agreement, dated as of July 30, 2014, between the Company and Thomas Leverton (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)
- 10.6 Employment Agreement, dated as of July 30, 2014, between the Company and J. Roger Cardinale (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)
- 10.7 Non-Employee Director Term Sheet, dated as of July 30, 2014, between the Company and Allen R. Weiss (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)
- 10.8 Queso Holdings Inc. 2014 Equity Incentive Plan, as adopted on August 21, 2014 (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)
- 10.9 Form of Queso Holdings Inc. 2014 Equity Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-4 (File No. 333-199298) as filed with the Commission on October 14, 2014)
- 10.10 Employment Agreement, dated as of November 20, 2015, between the Company and Dale R. Black (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 2, 2016)
- 10.11 Incremental Assumption Agreement (Extended Revolving Facility Commitment) dated as of May 8, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-13687) as filed with the Commission on August 10, 2018.
- 10.12 Amendment to Employment Agreement, dated as of October 12, 2018, between CEC Entertainment, Inc. and Thomas Leverton (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-13687) as filed with the Commission on November 9, 2018)
- 10.13 Amendment to Employment Agreement, dated as of October 12, 2018, between CEC Entertainment, Inc. and J. Roger Cardinale (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-13687) as filed with the Commission on November 9, 2018)
- 10.14 Employment Agreement, dated as of December 20, 2018 between the Company and James A. Howell (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K (File No.

001-13687) as filed with the Commission on March 12, 2019)

- 21.1 Subsidiaries of the Company (incorporated by reference to Exhibit 21.1 to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 12, 2019)
- 24.1 Power of attorney (incorporated by reference to Exhibit 24.1 to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 12, 2019)
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (incorporated by reference to Exhibit 31.1 to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 12, 2019)
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (incorporated by reference to Exhibit 31.2 to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 12, 2019)
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- 31.3* Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.4* Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 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 (incorporated by reference to Exhibit 32.1 to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 12, 2019)
- 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 (incorporated by reference to Exhibit 32.2 to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 12, 2019)
- 101.INS XBRL Instance Document (incorporated by reference to Exhibit 101.1INS to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 12, 2019)
- 101.SCH XBRL Taxonomy Extension Schema Document (incorporated by reference to Exhibit 101.1SCH to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 12, 2019)
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document (incorporated by reference to Exhibit 101.1CAL to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 12, 2019)
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document (incorporated by reference to Exhibit 101.1DEF to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 12, 2019)
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document (incorporated by reference to Exhibit 101.1LAB to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 12, 2019)
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document (incorporated by reference to Exhibit 101.1PRE to the Company's Annual Report on Form 10-K (File No. 001-13687) as filed with the Commission on March 12, 2019)

* Filed herewith.