

CEC ENTERTAINMENT INC

Form SC TO-I

June 07, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE TO

(Rule 13e-4)

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

CEC ENTERTAINMENT, INC.

(Name of Subject Company (Issuer) and Filing Person (Offeror))

Options to Purchase Shares of common stock, Par Value \$0.10 Per Share

(Title of Class of Securities)

125137109

(CUSIP Number of Class of Securities)

(Underlying Common Stock)

Richard M. Frank

Chairman of the Board and Chief Executive Officer

CEC Entertainment, Inc.

4441 West Airport Freeway

Irving, Texas 75062

(972) 258-8507

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(Name, address and telephone number of person authorized to receive notices and communications on behalf of filing person)

Copy to:

Darrel A. Rice, Esq.

Haynes and Boone, LLP

901 Main Street, Suite 3100

Dallas, Texas 75202

(214) 651-5000

CALCULATION OF FILING FEE

Transaction Valuation*	Amount of Filing Fee**
\$3,976,977	\$122.09

* The transaction valuation set forth above is based on the Black-Scholes option valuation model, and assumes that all outstanding options eligible for tender, covering a total of 555,331 shares of common stock of CEC Entertainment, Inc., will be amended pursuant to this Offer, which may not occur.

** The amount of the filing fee, calculated in accordance with Rule 0-11 under the Securities Exchange Act of 1934, as amended, as modified by Fee Advisory No. 6 for fiscal year 2007, equals \$30.70 per \$1,000,000 of transaction valuation. The transaction valuation set forth above was calculated for the sole purpose of determining the filing fee, and should not be used or relied upon for any other purpose.

.. Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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Amount Previously Paid:	Not applicable.
Form or Registration No.:	Not applicable.
Filing party:	Not applicable.
Date filed:	Not applicable.

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.
Check the appropriate boxes below to designate any transactions to which the statement relates:

third party tender offer subject to Rule 14d-1.

issuer tender offer subject to Rule 13e-4.

going-private transaction subject to Rule 13e-3.

amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer.

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This Tender Offer Statement on Schedule TO relates to an offer (the **Offer**) by CEC Entertainment, Inc., a Kansas corporation (the **Company**), to amend certain options (the **Eligible Options**) to purchase shares of the Company's common stock which were granted under the Company's 1997 Non-Statutory Stock Option Plan (the **Plan**) that: (i) have exercise prices per share that were less than the fair market value per share of the common stock underlying the option on the option's measurement date for financial accounting purposes, (ii) were unvested, either in whole or in part, as of December 31, 2004, and (iii) are outstanding (unexercised) as of the last date on which the Offer remains open for acceptance. Eligible employees are those employees of the Company or one of its subsidiaries as of the Expiration Date of the Offer who are subject to United States federal income taxes.

Eligible employees may elect (i) to have Eligible Options amended (**Amended Option**) to increase the original exercise price of each such Eligible Option to a new exercise price (**New Exercise Price**) equal to the fair market value of a share of the Company's common stock on the measurement date for financial reporting purposes, and (ii) to receive a cash payment with respect to such Amended Options equal to the difference between the New Exercise Price of the Amended Option and the original exercise price of each Eligible Option, less applicable tax withholding. The cash payments will be made on the first payroll date following January 1, 2008. The delay in the cash payments is required in order to avoid adverse tax consequences under Section 409A of the Internal Revenue Code of 1986, as amended.

The amendment of the Eligible Options will be made pursuant to the terms and subject to the conditions set forth in: (i) the Offer to Amend Certain Options, dated June 7, 2007, attached hereto as Exhibit (a)(1)(a) (the **Offer to Amend**), (ii) the related memorandum from CEC Legal Department to CEC Employees Holding Stock Options Affected by 409A, dated April 20, 2007, attached hereto as Exhibit (a)(1)(b) (the **409A Options Memo**), (iii) the Election Form, attached hereto as Exhibit (a)(1)(c), and (iv) the Withdrawal Form, attached hereto as Exhibit (a)(1)(d). These documents, as they may be amended or supplemented from time to time, constitute the **Disclosure Documents**.

The information contained in the Disclosure Documents, including all schedules and annexes to the Disclosure Documents, is incorporated by reference in answer to the items required in this Schedule TO.

The Offer is being made for compensatory purposes in order to minimize or avoid potentially material adverse personal tax consequences to eligible employees. The Offer is being made in compliance with the relief granted by the staff of the Division of Corporation Finance of the Securities and Exchange Commission pursuant to Exemptive Order for Issuer Exchange Offers that are Conducted for Compensatory Purposes issued on March 21, 2001 and pursuant to Exemptive Relief letter provided to Chordiant Software, Inc. dated March 26, 2007.

Item 1. Summary Term Sheet.

The information set forth in the Offer to Amend under **Summary Term Sheet and Questions and Answers** is incorporated herein by reference.

Item 2. Subject Company Information .

(a) **Name and Address.**

The name of the issuer is CEC Entertainment, Inc. The address of its principal executive office is 4441 West Airport Freeway, Irving, Texas 75062, and the telephone number at that address is (972) 258-8507.

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(b) *Securities.*

This Tender Offer Statement on Schedule TO relates to the Eligible Options. As of June 4, 2007, Eligible Options to purchase up to a total of 555,656 shares of common stock of the Company were outstanding. The information set forth in the Offer to Amend under Summary Term Sheet and Questions and Answers and The Offer Number of options and amount of consideration; Expiration Date is incorporated herein by reference.

(c) *Trading Market and Price.*

The information set forth in the Offer to Amend under The Offer Price range of shares underlying the options is incorporated herein by reference.

Item 3. Identity and Background of Filing Person.

(a) *Name and Address.*

The Company is the filing person. The information set forth under Item 2(a) above and in the Offer to Amend under Interests of directors and executive officers; transactions and arrangements concerning the options is incorporated herein by reference.

Item 4. Terms of the Transaction.

(a) *Material Terms.*

The information set forth in the Offer to Amend under Summary Term Sheet and Questions and Answers and The Offer is incorporated herein by reference.

(b) *Purchases.*

The information set forth in the Offer to Amend under The Offer Interests of directors and executive officers; transactions and arrangements concerning the options is incorporated herein by reference.

Item 5. Past Contacts, Transactions, Negotiations and Arrangements.

Agreements Involving the Subject Company's Securities.

The information set forth in the Offer to Amend under The Offer Interests of directors and executive officers; transactions and arrangements concerning the options is incorporated herein by reference.

Item 6. Purposes of the Transaction and Plans or Proposals.

(a) *Purposes.*

The information set forth in the Offer to Amend under Summary Term Sheet and Questions and Answers and The Offer Purpose of the Offer is incorporated herein by reference.

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(b) ***Use of Securities Acquired.***

The information set forth in the Offer to Amend under Summary Term Sheet and Questions and Answers, The Offer Acceptance of options for amendment and cash payments and The Offer Status of options amended pursuant to the terms of the Offer; accounting consequences of the Offer is incorporated herein by reference.

(c) ***Plans.***

The information set forth in the Offer to Amend under The Offer Purpose of the Offer is incorporated herein by reference.

Item 7. Source and Amount of Funds or Other Consideration.

(a) ***Source of Funds.***

The information set forth in the Offer to Amend under The Offer Source and amount of consideration; terms of Amended Options is incorporated herein by reference.

(b) ***Conditions.***

The information set forth in the Offer to Amend under The Offer Conditions of the Offer is incorporated herein by reference.

(c) ***Borrowed Funds.***

Not applicable.

Item 8. Interest in Securities of the Subject Company.

(a) ***Securities Ownership.***

The information set forth in the Offer to Amend under The Offer Interests of directors and executive officers; transactions and arrangements concerning the options is incorporated herein by reference.

(b) ***Securities Transactions.***

The information set forth in the Offer to Amend under The Offer Interests of directors and executive officers; transactions and arrangements concerning the options is incorporated herein by reference.

**Item 9. Person/Assets, Retained, Employed, Compensated or Used.
*Solicitations or Recommendations.***

Not applicable.

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Item 10. Financial Statements.

(a) ***Financial Information.***

The information set forth or incorporated by reference in the Offer to Amend under The Offer Information concerning CEC Entertainment, Additional Information and Financial statements is incorporated herein by reference. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and our unaudited consolidated financial statements under Part I Item 1 Financial Statements in our quarterly report on Form 10-Q for our quarterly period ended April 1, 2007, filed with the SEC on May 14, 2007 are incorporated by reference herein and can also be accessed electronically on the Securities and Exchange Commission's website at <http://www.sec.gov>.

(b) ***Pro Forma Information.***

Not applicable.

Item 11. Additional Information.

(a) ***Agreements, Regulatory Requirements and Legal Proceedings.***

The information set forth in the Offer to Amend under The Offer Legal matters; regulatory approvals is incorporated herein by reference.

(b) ***Other Material Information.***

Not applicable.

Item 12. Exhibits.

Exhibit

Number	Description
(a)(1)(a)	Offer to Amend Eligible Options, dated June 7, 2007.
(a)(1)(b)	Memorandum, dated April 20, 2007, from CEC Legal Department to CEC Employees Holding Stock Options.
(a)(1)(c)	Election Form.
(a)(1)(d)	Withdrawal Form.
(a)(1)(e)	Forms of Confirmation E-mail or Letter.
(a)(1)(f)	Form of Reminder E-mail or Letter to Eligible Employees.
(a)(1)(g)	Form of Amendment to Stock Option Agreements.
(a)(1)(h)	Form of Notice of Acceptance of Options for Amendment.
(a)(1)(i)	Form of Addendum Listing Eligible Options
(a)(1)(j)	Form of Cover Memorandum to Employees
(b)	Not Applicable.
(c)	Not Applicable.

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- (d) CEC Entertainment, Inc. 1997 Non-Statutory Stock Option Plan (incorporated by reference as Exhibit 10(d)(1) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (File No. 0-15782), filed with the SEC on April 23, 2007).
- (e) Not Applicable.
- (f) Not Applicable.
- (g) Not Applicable.
- (h) Not Applicable.

Item 13. Information Required by Schedule 13E-3.

Not applicable.

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SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Tender Offer Statement on Schedule TO is true, complete and correct.

CEC ENTERTAINMENT, INC.

By: /s/ Thomas W. Oliver
Thomas W. Oliver,
Executive Vice President and General Counsel

Date: June 7, 2007

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(a)(1)(b)	Memorandum, dated April 20, 2007, from CEC Legal Department to CEC Employees Holding Stock Options.
(a)(1)(c)	Election Form.
(a)(1)(d)	Withdrawal Form.
(a)(1)(e)	Forms of Confirmation E-mail or Letter.
(a)(1)(f)	Form of Reminder E-mail and Letter to Eligible Employees.
(a)(1)(g)	Form of Amendment to Stock Option Agreements.
(a)(1)(h)	Form of Notice of Acceptance of Options for Amendment.
(a)(1)(i)	Form of Addendum Listing Eligible Options.
(a)(1)(j)	Form of Cover Memorandum to Employees
(d)	CEC Entertainment, Inc. 1997 Non-Statutory Stock Option Plan (incorporated by reference as Exhibit 10(d)(1) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (File No. 0-15782), filed with the SEC on April 23, 2007).