

JAKKS PACIFIC INC
Form S-3
September 30, 2002

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As filed with the Securities and Exchange Commission on September 30, 2002

Registration No.

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Jakks Pacific, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-4527222

(I.R.S. Employer Identification No.)

22619 Pacific Coast Highway, Malibu, California 90265, (310) 456-7799

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jack Friedman

Chairman

JAKKS Pacific, Inc.

22619 Pacific Coast Highway

Malibu, California 90265

(310) 456-7799

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

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Skala, Bass & Rhine LLP

750 Lexington Avenue

New York, New York 10022-1200

(212) 888-8200

Fax: (212) 888-7776

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, par value \$.001 per share	646,384 Shares	\$11.17(2)	\$7,216,874	\$664

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c).

(2) Pursuant to Rule 457(c), represents the average of the high and low sales prices of our common stock for September 27, 2002, 2002 as reported on the Nasdaq National Market System.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We have filed a registration statement with the Securities and Exchange Commission and we may not sell these securities until it becomes effective. We are not offering to sell, or soliciting any offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 30, 2002

PROSPECTUS

646,384 Shares

[JAKKS Logo]

JAKKS Pacific, Inc.

Common Stock

This prospectus relates to 646,384 shares of our common stock that may be sold from time to time by the selling shareholders listed under the caption "Selling Stockholders" on page 10. We will not receive any of the proceeds from the sale of the common stock. See "Use of Proceeds."

The shares are being registered to permit the selling shareholders to sell the shares from time to time in the public market. The selling stockholders may determine the prices at which they will sell the common stock, which prices may be at market prices prevailing at the time of such sale or some other price. The selling stockholders may sell the common stock through ordinary brokerage transactions, directly to marketmakers of our shares or through any other means described in the section "Plan of Distribution" beginning on page 11. We cannot assure you that the selling stockholders will sell all or a portion of the common stock offered under this prospectus.

Our common stock is traded on the Nasdaq National Market System under the symbol "JAKK." On September 27, 2002, the last reported sale price of our common stock on the Nasdaq National Market System was \$11.20 per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" ON PAGE 2.

Neither the Securities and Exchange Commission nor any state securities commission has approved or determined if this prospectus is truthful and complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is _____, 2002

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You should rely only on the information contained or incorporated in this prospectus. We and the selling stockholders have not authorized anyone to provide you with information different from that contained in this prospectus. The selling stockholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sale are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock. In this prospectus, references to the Company, JAKKS, we, us and our refer to JAKKS Pacific, Inc. and, where the context requires (such as when we discuss our business, operations, properties or products), our subsidiaries.

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FORWARD LOOKING STATEMENTS

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes or incorporates by reference forward-looking statements. For example, statements included in this prospectus regarding our financial position, business strategy and other plans and objectives for future operations, and assumptions and predictions about future product demand, supply, manufacturing, costs, marketing and pricing factors are all forward-looking statements. When words like intend, anticipate, believe, estimate, plan or expect, are used these are forward-looking statements. We believe that the assumptions and expectations reflected in such forward-looking statements are reasonable, based on information available to us on the date hereof, but we cannot assure you that these assumptions and expectations will prove to have been correct or that we will take any action that we may presently be planning. We have disclosed certain important factors that could cause our actual results to differ materially from our current expectations under Risk Factors below and elsewhere in this joint proxy statement/prospectus. You should understand that forward-looking statements made in connection with this joint proxy statement/prospectus are necessarily qualified by these factors. We are not undertaking to publicly update or revise any forward-looking statement if we obtain information or upon the occurrence of future events or otherwise.

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RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the following risk factors in conjunction with the other information contained and incorporated by reference in this prospectus before purchasing our securities. If any of the risks discussed in this prospectus actually occur, our business, operating results, cash flows, prospects or financial condition could be materially adversely affected. This may cause the market price of our securities to decline and could cause you to lose all or part of your investment.

We are Subject to Changing Consumer Preferences and New Product Introductions

Our business and operating results depend largely upon the appeal of its products. Our continued success in the toy industry will depend on our ability to redesign, restyle and extend our existing core products and product lines as consumer preferences evolve, and to develop, introduce and gain customer acceptance of new products and product lines. Several trends in recent years have presented challenges for the toy industry, including:

the phenomenon of children outgrowing toys at younger ages, particularly in favor of interactive and high technology products;

increasing use of technology;

shorter life cycles for individual products; and

higher consumer expectations for product quality, functionality and value.

We cannot assure you that:

our current products will continue to be popular with consumers;

the product lines or products that we introduce will achieve any significant degree of market acceptance; or

the life cycles of our products will be sufficient to permit us to recover licensing, design, manufacturing, marketing and other costs associated with those products.

We are Subject to Changing Popularity of Our Products

The success of many of our character-related and theme-related products depends on the popularity of characters in movies, television programs, live wrestling exhibitions and other media. We cannot assure you that:

media associated with our character-related and theme-related product lines will be released at the times we expect or will be successful;

the success of media associated with our existing character-related and theme-related product lines will result in substantial promotional value to our products;

we will be successful in renewing licenses upon expiration on terms that is favorable to us; or

we will be successful in obtaining licenses to produce new character-related and theme-related products in the future.

There Are Risks Associated with Our License Agreements

Our Current Licenses Require us to Pay Minimum Royalties

Sales of products under trademarks or trade or brand names licensed from others account for substantially all of our net sales. Product licenses allow us to capitalize on characters, designs, concepts and inventions owned by others or developed by toy inventors and designers. Our license agreements generally require us to make specified minimum royalty payments, even if we fail to sell a sufficient number of units to

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cover these amounts. In addition, under certain of our license agreements, if we fail to achieve certain prescribed sales targets, we may be unable to retain or renew these licenses.

Some of Our Licenses Are Restricted as to Use

Under some of our license agreements, including WWE and Nickelodeon, the licensors have the right to review and approve our use of their licensed products, designs or materials before we may make any sales. If a licensor refuses to permit our use of any licensed property in the way we propose, or if their review process is delayed, our development or sale of new products could be impeded.

New Licenses Are Difficult and Expensive to Obtain

Our continued success will depend substantially on its ability to obtain additional licenses. Intensive competition exists for desirable licenses in the toy industry. We cannot assure you that it will be able to secure or renew significant licenses on terms acceptable to us. In addition, as we add licenses, the need to fund additional royalty advances and guaranteed minimum royalty payments may strain its cash resources.

A Limited Number of Licensors Account for a Large Portion of Our Net Sales

We derive a significant portion of its net sales from a limited number of licensors. If one or more of these licensors were to terminate or fail to renew our license or not grant us new licenses, our business, financial condition and results of operations could be adversely affected.

The Toy Industry Is Highly Competitive

The toy industry is highly competitive. Globally, certain of our competitors have financial and strategic advantages over us, including:

greater financial resources;

larger sales, marketing and product development departments;

stronger name recognition;

longer operating histories; and

greater economies of scale.

In addition, the toy industry has no significant barriers to entry. Competition is based primarily on the ability to design and develop new toys, to procure licenses for popular characters and trademarks and to successfully market products. Many of our competitors offer similar products or alternatives to our products. Our competitors have obtained and are likely to continue to obtain licenses that overlap our licenses with respect to products, geographic areas and markets. We cannot assure you that we will be able to obtain adequate shelf space in retail stores to support its existing products or to expand our products and product lines or that we will be able to continue to compete effectively against current and future competitors.

Our Video Game Joint Venture with THQ Is Subject to Numerous Risks and Uncertainties

In addition to the risks relating to us and the toy industry, our joint venture with THQ faces the following risks:

The joint venture depends entirely on a single license, which gives the venture exclusive worldwide rights to produce and market video games based on World Wrestling Entertainment characters and themes. The popularity of professional wrestling, in general, and the World Wrestling Entertainment, in particular, is subject to changing consumer tastes and demands. The relative popularity of professional wrestling has fluctuated significantly in recent years. A decline in the popularity of the World Wrestling Entertainment could adversely affect the joint venture's and our business, financial condition and results of operations.

The joint venture relies on hardware manufacturers and THQ's non-exclusive licenses with them for the right to publish titles for their platforms and for the manufacture of the joint venture's titles. If

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THQ's manufacturing licenses were to terminate and the joint venture could not otherwise obtain these licenses from other manufacturers, the joint venture would be unable to publish additional titles for these manufacturers' platforms, which would materially adversely affect the joint venture's and our business, financial condition and results of operations.

The software industry has experienced periods of significant growth in consumer interest, followed by periods in which growth has substantially declined. The joint venture's sales of software titles depend, among other factors, on the popularity and unit sales of platforms generally, as well as on the relative popularity and unit sales of various platforms. The relative popularity of certain platforms has fluctuated significantly in recent years. An unexpected decline in the popularity of a particular platform can be expected to have a material adverse effect on consumer demand for titles released or to be released by the joint venture for such platforms.

The joint venture's failure to timely develop titles for new platforms that achieve significant market acceptance, to maintain net sales that are commensurate with product development costs or to maintain compatibility between its personal computer CD-ROM titles and the related hardware and operating systems would adversely affect the joint venture's and our business, financial condition and results of operations.

In general, THQ controls the day-to-day operations of the joint venture and all of its product development and production operations. Accordingly, the joint venture relies exclusively on THQ to manage these operations effectively. THQ's failure to effectively manage the joint venture would have a material adverse effect on the joint venture's and our business and results of operations.

We May Not Be Able To Sustain or Manage Our Rapid Growth

We have experienced rapid growth in net sales, operating income and net income over the last five years. As a result, comparing our period-to-period operating results may not be meaningful and results of operations from prior periods may not be indicative of future results. We cannot assure you that we will continue to experience growth in, or maintain our present level of, net sales or net income.

Our growth strategy calls for it to continuously develop and diversify our toy business by acquiring other companies, entering into additional license agreements, refining our product lines and expanding into international markets, which will place additional demands on our management, operational capacity and financial resources and systems. The increased demand on our management may necessitate our recruitment and retention of qualified management personnel. We cannot assure you that it will be able to recruit and retain qualified personnel or expand and manage our operations effectively and profitably. To effectively manage future growth, we must continue to expand our operational, financial and management information systems and to train, motivate and manage its work force. There can be no assurance that our operational, financial and management information systems will be adequate to support our future operations. Failure to expand our operational, financial and management information systems or to train, motivate or manage employees could have a material adverse effect on its business, financial condition and results of operations.

In addition, implementation of our growth strategy is subject to risks beyond our control, including competition, market acceptance of new products, changes in economic conditions, our ability to obtain or renew licenses on commercially reasonable terms and our ability to finance increased levels of accounts receivable and inventory necessary to support its sales growth, if any. Accordingly, we cannot assure you that our growth strategy will continue to be implemented successfully.

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We Need To Be Able To Acquire and Integrate Companies and New Product Lines Successfully

Our growth strategy depends in part upon our ability to acquire companies and new product lines. Future acquisitions will succeed only if we can effectively assess characteristics of potential target companies and product lines, such as:

attractiveness of products;

suitability of distribution channels;

management ability;

financial condition and results of operations; and

the degree to which acquired operations can be integrated with our operations.

We cannot assure you that it can identify attractive acquisition candidates or negotiate acceptable acquisition terms, and our failure to do so may adversely affect our results of operations and our ability to sustain growth. Our acquisition strategy involves a number of risks, each of which could adversely affect our operating results, including:

difficulties in integrating acquired businesses or product lines, assimilating new facilities and personnel and harmonizing diverse business strategies and methods of operation;

diversion of management attention from operation of our existing business;

loss of key personnel from acquired companies; and

failure of an acquired business to achieve targeted financial results.

A Limited Number of Customers Account for a Large Portion of Our Net Sales

Our five largest customers accounted for 54.7% of its net sales in 2001. Except for outstanding purchase orders for specific products, we do not have written contracts with or commitments from any of our customers. A substantial reduction in or termination of orders from any of our largest customers could adversely affect our business, financial condition and results of operations. In addition, pressure by large customers seeking price reductions, financial incentives, changes in other terms of sale or for us to bear the risks and the cost of carrying inventory also could adversely affect our business, financial condition and results of operations. If one or more of our major customers were to experience difficulties in fulfilling their obligations to us, cease doing business with us, significantly reduce the amount of their purchases from us or return substantial amounts of our products, it could have a material adverse effect on our business, financial condition and results of operations. In addition, the bankruptcy or other lack of success of one or more of our significant retailers could negatively impact our revenues and bad debt expense. Kmart, one of our major customers, filed for Chapter 11 bankruptcy protection on January 22, 2002. We recorded a \$5.0 million charge in its 2001 financial statements to allow for any losses that may result from Kmart's bankruptcy filing. However, it is not possible to predict the ultimate impact of Kmart's bankruptcy filing at this time.

We Depends on Our Key Personnel

Our success is largely dependent upon the experience and continued services of Jack Friedman, our Chairman and Chief Executive Officer, Stephen G. Berman, our President and Chief Operating Officer, and Michael Bianco, Jr., our Executive Vice President and Chief Merchandising Officer. We cannot assure you that it would be able to find an appropriate replacement for Mr. Friedman, Mr. Berman or Mr. Bianco if the need should arise, and any loss or interruption of Mr. Friedman's, Mr. Berman's or Mr. Bianco's services could adversely affect our business, financial condition and results of operations. We maintain, and are the beneficiary of, a \$4.0 million key-man life insurance policy on Mr. Friedman, which may be insufficient to fund the cost of employing his successor.

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We Depend on Third-Party Manufacturers

We depend on approximately 20 third-party manufacturers who develop, provide and use the tools, dies and molds that we own to manufacture our products. However, we have limited control over the manufacturing processes themselves. As a result, any difficulties encountered by the third-party manufacturers that result in product defects, production delays, cost overruns or the inability to fulfill orders on a timely basis could adversely affect our business, financial condition and results of operations.

We do not have long-term contracts with our third-party manufacturers. Although we believe we could secure other third-party manufacturers to produce our products, our operations would be adversely affected if we lost our relationship with any of our current suppliers or if our current suppliers' operations or sea or air transportation with our overseas manufacturers were disrupted or terminated even for a relatively short period of time. Our tools, dies and molds are located at the facilities of our third-party manufacturers.

Although we do not purchase the raw materials used to manufacture our products, we are potentially subject to variations in the prices we pay our third-party manufacturers for products, depending on what they pay for their raw materials.

We Have Substantial Sales and Manufacturing Operations Outside of the United States Subjecting Us to Risks Common to International Operations.

We sell products and operate facilities in numerous countries outside the United States. For the fiscal year ended December 31, 2001, sales to our international customers comprised approximately 14.1% of its net sales. We expect our sales to international customers to account for a greater portion of our revenues in future fiscal periods. Additionally, we utilize third-party manufacturers located principally in The People's Republic of China. These sales and manufacturing operations are subject to the risks normally associated with international operations, including:

currency conversion risks and currency fluctuations;

limitations, including taxes, on the repatriation of earnings;

political instability, civil unrest and economic instability;

greater difficulty enforcing intellectual property rights and weaker laws protecting such rights;

complications in complying with laws in varying jurisdictions and changes in governmental policies;

greater difficulty and expenses associated with recovering from natural disasters;

transportation delays and interruptions; and

the potential imposition of tariffs.

Our reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply, should such changes be necessary. However, if we were prevented from obtaining products or components for a material portion of our product line due to political, labor or other factors beyond its control, our operations would be disrupted while alternative sources of products were secured. Also, the imposition of trade sanctions by the United States against a class of products imported by us from, or the loss of normal trade relations status by China, could significantly increase our cost of products imported from that nation. Because of the importance of our international sales and international sourcing of manufacturing to our business, our financial condition and results of operations could be significantly and adversely affected if any of the risks described above were to occur.

Our Business Is Subject to Extensive Government Regulation and to Potential Product Liability Claims

Our business is subject to various laws, including the Federal Hazardous Substances Act, the Consumer Product Safety Act, the Flammable Fabrics Act and the rules and regulations promulgated under these acts. These statutes are administered by the Consumer Product Safety Commission (CPSC), which has the authority to remove from the market products that are found to be defective and present a substantial hazard

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or risk of serious injury or death. The CPSC can require a manufacturer to recall, repair or replace these products under certain circumstances. We cannot assure you that defects in its products will not be alleged or found. Any such allegations or findings could result in:

product liability claims;

loss of sales;

diversion of resources;

damage to our reputation;

increased warranty costs; and

removal of our products from the market.

Any of these results may adversely affect our business, financial condition and results of operations. There can be no assurance that our product liability insurance will be sufficient to avoid or limit our loss in the event of an adverse outcome of any product liability claim.

We Depend on Our Proprietary Rights

We rely on trademark, copyright and trade secret protection, nondisclosure agreements and licensing arrangements to establish, protect and enforce our proprietary rights in our products. The laws of certain foreign countries may not protect intellectual property rights to the same extent or in the same manner as the laws of the United States. We cannot assure you that we or our licensors will be able to successfully safeguard and maintain our proprietary rights. Further, certain parties have commenced legal proceedings or made claims against JAKKS based on our alleged patent infringement, misappropriation of trade secrets or other violations of their intellectual property rights. We cannot assure you that other parties will not assert intellectual property claims against it in the future. These claims could divert our attention from operating our business or result in unanticipated legal and other costs, which could adversely affect our business, financial condition and results of operations.

Market Conditions and Other Third-Party Conduct Could Negatively Impact Our Margins and Implementation of Other Business Initiatives.

Economic conditions, such as rising fuel prices and decreased consumer confidence, may adversely impact our margins. In addition, general economic conditions were significantly and negatively affected by the September 11th terrorist attacks and could be similarly affected by any future attacks. Such a weakened economic and business climate, as well as consumer uncertainty created by such a climate, could adversely affect our sales and profitability. Other conditions, such as the unavailability of electronics components, may impede our ability to manufacture, source and ship new and continuing products on a timely basis. Significant and sustained increases in the price of oil could adversely impact the cost of the raw materials used in the manufacture of JAKKS products, such as plastic.

The Market Price of Our Common Stock May Be Volatile

Market prices of the securities of toy companies are often volatile. The market price of our common stock may be affected by many factors, including:

fluctuations in our financial results;

the actions of our customers and competitors, including new product line announcements and introductions;

new regulations affecting foreign manufacturing;

other factors affecting the toy industry in general; and

sales of common stock into the public market.

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In addition, the stock market periodically has experienced significant price and volume fluctuations, which may have been unrelated to the operating performance of particular companies.

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Our Ability to Issue Blank Check Preferred Stock and our Obligation to Make Severance Payments Could Prevent or Delay Takeovers

Our certificate of incorporation authorizes the issuance of blank check preferred stock (that is, preferred stock that our board of directors can create and issue without prior stockholder approval) with rights senior to those of its common stock. In addition, our employment agreements with certain of our senior officers require us, under certain conditions, to make substantial severance payments to them if they resign after a change of control. These provisions could delay or impede a merger, tender offer or other transaction resulting in a change in control of the Company, even if such a transaction would have significant benefits to its stockholders. As a result, these provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock.

We Have Not Paid Dividends on Our Common Stock and Do Not Expect to in the Foreseeable Future.

We have not paid dividends on our common stock since our inception and do not expect to in the foreseeable future, so our stockholders will not be able to receive a return on their investments without selling their shares. We presently anticipate that all earnings, if any, will be retained for development of our business and for future acquisitions. Any future dividends will be subject to the discretion of our board of directors and will depend on, among other things, future earnings, our operating and financial condition, our capital requirements and general business conditions.

The market price of our common stock could be adversely affected by sales of substantial amounts of common stock in the public market or the perception that such sales could occur.

As of September 27, 2002, we had 23,585,149 shares of common stock outstanding. The market price of our common stock could be adversely affected by the issuance of shares of common stock pursuant to the terms of the merger.

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We will not receive any proceeds from the sale of the shares of common stock by the selling stockholders in this offering.

PRICE RANGE OF COMMON STOCK

Our common stock is traded on the Nasdaq National Market under the symbol JAKK. The following table sets forth the high and low closing sale prices of our common stock for the periods indicated as reported by the Nasdaq National Market. The prices have been adjusted to give retroactive effect to the two-for-one stock split effected on May 11, 2000.

	<u>High</u>	<u>Low</u>
2000		
First Quarter	\$25.19	\$ 13.91
Second Quarter	25.00	13.25
Third Quarter	20.75	9.00
Fourth Quarter	10.56	7.00
2001		
First Quarter	\$ 15.00	\$ 8.00
Second Quarter	19.44	8.78
Third Quarter	21.80	12.68
Fourth Quarter	25.38	12.44
2002		
First Quarter	\$25.70	\$ 15.85
Second Quarter	23.49	15.91
Third Quarter (through September 27, 2002)	17.26	10.09

DIVIDEND POLICY

We intend to retain our future earnings, if any, to finance the growth and development of our business, and, accordingly, we do not plan to pay any cash dividends on our common stock in the foreseeable future.

ACQUISITION OF TOYMAX

On March 11, 2002, we purchased 8,100,065 shares of Toymax International, Inc. (Toymax) common stock from four of its principal stockholders, Best Phase Limited, Hargo (Barbados) Limited, Steven A. Lebensfeld and Harvey Goldberg in a transaction pursuant to a stock purchase agreement dated as of February 10, 2002 among us, Toymax and the principal stockholders. The aggregate purchase price we paid for the principal stockholder's shares of Toymax common stock was \$24,300,217.31 in cash and 646,384 shares of our common stock, based on a price per share consisting of \$3.00 in cash and 0.0798 share of our common stock (with cash payable in lieu of any fractional share).

As a result of this transaction, and prior open market purchases of Toymax common stock by us, as of September 27, 2002 we own 8,232,819 shares of Toymax common stock, representing approximately 66.8% of the outstanding shares of Toymax common stock.

To complete our acquisition of Toymax, we propose to effect the merger described below. We estimate that the merger consideration payable in the merger (which is subject to certain conditions and contingent adjustments) will consist of approximately \$11,750,000 in cash and approximately 821,074 shares of our common stock.

On February 10, 2002, we entered into an agreement of merger with JP/TII Acquisition Corp., JAKKS wholly-owned merger subsidiary, and Toymax pursuant to which the parties agreed that, subject to the

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conditions set forth therein, including, among others, the approval of the merger by Toymax's stockholders at a meeting to be convened for such purpose, our merger subsidiary will merge into Toymax in a transaction in which the surviving corporation will become a wholly-owned subsidiary of JAKKS and the stockholders of Toymax, other than JAKKS, the merger subsidiary or Toymax or a subsidiary thereof, will receive merger consideration consisting of \$3.00 in cash and 0.0798 share of JAKKS common stock (subject to certain contingent adjustments).

In connection with the stock purchase agreement and the merger agreement, we entered into a registration rights agreement with the selling stockholders pursuant to which we agreed to register the shares of our common stock that the selling stockholders acquired as a result of the transactions set forth in the stock purchase agreement.

Toymax is a consumer leisure products company that creates, designs and markets innovative and technologically advanced toys and other leisure products sold under several brands, including Toymax, *Laser Challenge*[™], *Creepy Crawlers*[®], *Funnoodle*[®] and *Go Fly A Kite*[™].

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We entered into an employment agreement with Steven Lebensfeld, one of Toymax's former directors and one of the selling stockholders in the stock purchase agreement, pursuant to which he serves as our Senior Vice President for Product Development for a period of one year for total compensation of \$250,000, paid in equal monthly installments, less applicable withholdings. The agreement prohibits Mr. Lebensfeld from competing with us or soliciting any of our employees, suppliers or customers for one year following its termination. The agreement does not contain any change of control provision.

We entered into a consulting agreement with Harvey Goldberg, one of Toymax's former directors and one of the selling stockholders in the stock purchase agreement. The agreement engages Mr. Goldberg as a consultant to us regarding the international sales and marketing of our products for a period of one year for a consulting fee of \$325,000, paid in equal monthly installments. The agreement prohibits Mr. Goldberg from competing with us or soliciting any of our employees, suppliers or customers for one year following its termination. The agreement does not contain any change of control provision.

We entered into a termination and replacement of manufacturing agreement with Tai Nam Industrial Company Limited, a Hong Kong private limited company (Tai Nam), controlled by David Chu, one of Toymax's former directors and one of the selling stockholders in the stock purchase agreement. The term of the agreement is for three years, and the agreement may be terminated by either party under certain conditions by providing twenty days' written notice. The total consideration to be paid by us pursuant to this agreement is expected to exceed \$60,000 per year. The agreement permits Tai Nam to continue to manufacture existing Toymax products for us, as well as manufacture new products for us and Toymax. The agreement prohibits Mr. Chu and Tai Nam from competing with us or soliciting any of our employees, suppliers or customers for one year following its termination.

SELLING STOCKHOLDERS

The following table presents information known to us with respect to beneficial ownership of our common stock by the selling stockholders as of September 27, 2002. The selling stockholders may sell all, some or none of their shares in this offering. See Plan of Distribution.

Beneficially Selling Stockholders	Shares of Common Stock Beneficially Owned	Number of Shares Owned After Offering(1)
Harvey Goldberg(2)	10,959	0
Best Phase Limited(3)	457,280	0
Hargo Barbados Limited(4)	89,123	0
Steven A. Lebensfeld(5)	89,022	0

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- (1) Each of the selling stockholders is permitted to sell no more than 25% of their shares in each quarter following the effective date of the Toymax merger.
- (2) Mr. Goldberg is the former President and a former director of Toymax.
- (3) Best Phase Limited is a British Virgin Islands corporation with an address at: Units D-F, 26th Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, N.T, Hong Kong. David Ki Kwan Chu and his wife, Frances Shuk Kuen Leung, own 100% of the outstanding shares of Best Phase Limited. Their address is: Units D-F, 26th Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, N.T, Hong Kong. Mr. Chu is the former Chairman of the Board of Directors of Toymax.
- (4) Hargo (Barbados) Limited is a company that administers the Goldberg Family Trust, a trust for the benefit of Harvey Goldberg's wife and children. Hargo (Barbados) Limited is wholly owned and controlled by CIBC West Indies Offshore Banking Corporation, as trustee of the Goldberg Family Trust and Mr. Goldberg disclaims beneficial ownership of such shares. Hargo (Barbados) Limited's address is: CIBC Bank & Trust Company (Cayman) Limited, CIBC Centre, 3rd Floor, Warrens, P.O. Bag 503, Bridgetown, Barbados.
- (5) Mr. Lebensfeld is the former Chief Executive Officer and a former director of Toymax.

PLAN OF DISTRIBUTION

Shares to be sold in this offering have been listed on the Nasdaq National Market System, subject to official notice of issuance.

We are registering shares of common stock we issued to certain principal stockholders of Toymax in connection with our acquisition of Toymax. We will not receive any of the proceeds from the sale by the selling stockholders of the shares of common stock. We will bear all fees and expenses incident to our obligation to register the shares of common stock.

The selling stockholders may sell all or a portion of the common stock beneficially owned by them and offered through the prospectus from time to time directly through one or more underwriters, broker-dealers or agents. In connection with the sale of our common stock by the selling stockholders, the stock purchase agreement limits the amount of common stock that each selling stockholder may sell to no more than 25% of each selling stockholder's shares of common stock during each quarter following the effective time of Toymax merger.

If the common stock is sold through underwriters or broker-dealers, the selling stockholder will be responsible for underwriting discounts or commissions or agent's commissions. The common stock may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of the sale, at varying prices determined at the time of sale, or at negotiated prices. These sales may be effected in transactions, which may involve crosses or block transactions,

- (1) on any national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale,
- (2) in the over-the-counter market,
- (3) in transactions otherwise than on these exchanges or systems or in the over-the-counter market,
- (4) through the writing of options, whether such options are listed on an options exchange or otherwise, or
- (5) through the settlement of short sales.

In connection with sales of the common stock or otherwise, the selling stockholders may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the common stock in the course of hedging in positions they assume. The selling stockholders may also sell shares of common stock short and deliver shares of common stock to close out short positions, or loan or pledge shares of common

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stock to broker-dealers that in turn may sell those shares. If the selling stockholders effect such transactions by selling shares of common stock to or through underwriters, broker-dealers or agents, those underwriters, brokers-dealers or agents may receive commissions in the form of discounts, concessions or commissions from the selling stockholders or commissions from purchasers of the shares of common stock for whom they may act as agent or to whom they may sell as principal, which discounts, concessions or commissions as to particular underwriters, brokers-dealers or agents may be in excess of those customary in the types of transactions involved.

The selling stockholders and any broker-dealer participating in the distribution of shares of common stock may be deemed to be underwriters within the meaning of the Securities Act of 1933, and any commission paid, or any discounts allowed to the broker-dealer may be deemed to be underwriting discounts or commissions under the Securities Act. At the time a particular offering of the shares of common stock is made, a prospectus supplement, if required, will be distributed which will set forth the aggregate amount of shares of common stock being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling stockholder and any discounts, commissions or concessions allowed or reallocated or paid to broker-dealers.

Under the securities laws of some states, the shares of common stock may be sold in such states only through registered or licensed brokers or dealers. In addition, in some states the shares of common stock may not be sold unless the shares have been registered or qualified for sale in the state or an exemption from registration or qualification is available and is complied with.

We do not know whether any selling stockholder will sell any or all of the shares of common stock registered by the shelf registration statement of which this combined prospectus forms a part.

We will pay all expenses of the registration of the shares of common stock under the registration rights agreement, including SEC filing fees and expenses of compliance with state securities or blue sky laws, except that the selling stockholders will pay any underwriting discounts and selling commissions. We expect that our expenses for this offering, including primarily filing fees and legal expenses, will be approximately \$30,000.

We will indemnify the selling stockholders against liabilities, including some liabilities under the Securities Act, in accordance with the registration rights agreement or the selling stockholders will be entitled to contribution. We will be indemnified by the selling stockholders against civil liabilities, including liabilities under the Securities Act, that may arise from any written information furnished to us by the selling stockholders for use in this prospectus, in accordance with the related registration rights agreement or we will be entitled to contribution.

Once sold under the shelf registration statements, of which this combined prospectus forms a part, the shares of common stock will be freely tradable in the hands of persons other than our affiliates.

LEGAL MATTERS

The legality of the common stock offered hereby will be passed upon for us by Feder, Kaszovitz, Isaacson, Weber, Skala, Bass & Rhine LLP, New York, New York. Murray L. Skala, a partner of that firm, is one of our directors of and holds of record options to purchase 52,771 shares of our common stock, all of which are currently exercisable.

EXPERTS

Our consolidated financial statements as of December 31, 2000 and 2001 and for each of the three years in the period ended December 31, 2001 incorporated by reference in this prospectus and elsewhere in this registration statement have been audited by PKF, Certified Public Accountants, A Professional Corporation, Los Angeles, California, independent auditors, as stated in their report incorporated by reference herein and are included in reliance upon the report of that firm given upon their authority as experts in accounting and auditing.

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance with the Exchange Act we file reports, proxy statements and other information with the SEC. Our reports, proxy statements and most other information that we file with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W. Washington, D.C. 20549. Copies of this material may be obtained by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains our reports, proxy statements and other information as well as documents from other companies that file electronically with the SEC, and the address is <http://www.sec.gov>.

This prospectus is only a part of a registration statement we filed with the SEC under the Securities Act of 1933 and, therefore, it does not include all the information contained in the registration statement. We have also filed exhibits and schedules to the registration statement that are excluded from this prospectus and the accompanying supplement. Among such exhibits are a number of our material contracts, and you should refer to the applicable exhibit for the complete text of any such contract described in this prospectus. You may inspect or obtain a copy of the registration statement, including exhibits and schedules, as described in the previous paragraph.

Our Internet address is www.jakkspace.com. The information contained on our website and on any websites linked by our website, however, is not part of this prospectus and you should not rely on such information in deciding whether to invest in our securities.

Our common stock is listed on the Nasdaq National Market under the symbol JAKK.

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INFORMATION INCORPORATED BY REFERENCE

The SEC allows us, under certain circumstances, to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below.

Our Annual Report on Form 10-K/ A, for our fiscal year ended December 31, 2001;

Our Quarterly Reports on Form 10-Q for our fiscal quarters ended March 31, 2002 and June 30, 2002;

Our Current Reports on Form 8-K filed with the SEC on March 5, 2002, March 22, 2002, April 23, 2002, July 18, 2002 and September 4, 2002;

Our Statement on Schedule 13D relating to our acquisition of a controlling interest in Toymax filed March 20, 2002; and

The Description of Registrant's Securities to be Registered contained in our Registration Statement on Form 8-A (File No. 0-28104), filed March 29, 1996 and the Description of Securities - Common Stock incorporated therein by reference to our Registration Statement on Form SB-2 (Reg. No. 333-2048-LA);

Any documents we file pursuant to Section 13(a), 13(c), or 15(d) of the Exchange Act (File No. 0-28104) after the date of this prospectus and prior to the termination of the offering will automatically be deemed to be incorporated by reference in this prospectus and to be a part of this prospectus from the date of filing those documents (except that each time we file a new annual report on Form 10-K, any of such documents filed prior to such filing shall no longer be incorporated into this prospectus). Any statement contained in this prospectus or in a document incorporated by reference shall be deemed to be modified or superseded for all purposes to the extent that a statement contained in those documents modifies or supersedes that statement. Any statements so modified or superseded will not be deemed to constitute a part of this prospectus, except as so modified or superseded. In addition, any prospectus supplement filed in relation to this prospectus shall be deemed to supercede for all purposes any earlier prospectus supplement filed in relation to this prospectus.

We will provide without charge to each person to whom this prospectus is delivered, upon written or oral request, a copy of any or all of the documents referred to above which have been or may be incorporated by reference in this prospectus. Requests for these documents should be directed to Joel M. Bennett, Chief Financial Officer, JAKKS Pacific Inc., 22619 Pacific Coast Highway, Malibu, California 90265 (310) 456-7799.

You should rely only on the information contained in or incorporated by reference into this prospectus. Neither we nor any selling stockholder have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The information in this prospectus is current as of its date.

Table of Contents**PART II INFORMATION NOT REQUIRED IN PROSPECTUS****Item 14. Other Expenses of Issuance and Distribution**

It is expected that the following expenses will be incurred in connection with the issuance and distribution of the Common Stock being registered. All such expenses are being paid by the Company.

SEC Registration fee	\$ 625
*Printing and Edgarization	10,000
*Accountants fees and expenses	5,000
*Attorneys fees and expenses	15,000
*Miscellaneous	4,075
	<hr/>
*Total	\$ 30,000
	<hr/>

* Estimated

Item 15. Indemnification of Directors and Officers

The Registrant's Certificate of Incorporation provides that the personal liability of the directors of the Registrant shall be limited to the fullest extent permitted by the provisions of Section 102(b)(7) of the General Corporation Law of the State of Delaware (DGCL). Section 102(b)(7) of the DGCL generally provides that no director shall be liable personally to the Registrant or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that the Certificate of Incorporation does not eliminate the liability of a director for (1) any breach of the director's duty of loyalty to the Registrant or its stockholders; (2) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (3) acts or omissions in respect of certain unlawful dividend payments or stock redemptions or repurchases; or (4) any transaction from which such director derives an improper personal benefit. The effect of this provision is to eliminate the rights of the Registrant and its stockholders to recover monetary damages against a director for breach of her or his fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior) except in the situations described in clauses (1) through (4) above. The limitations summarized above, however, do not affect the ability of the Registrant or its stockholders to seek nonmonetary remedies, such as an injunction or rescission, against a director for breach of her or his fiduciary duty.

In addition, the Certificate of Incorporation provides that the Registrant shall, to the fullest extent permitted by Section 145 of the DGCL, indemnify all persons whom it may indemnify pursuant to Section 145 of the DGCL. In general, Section 145 of the DGCL permits the Registrant to indemnify a director, officer, employee or agent of the Registrant or, when so serving at the Registrant's request, another company who was or is a party or is threatened to be made a party to any proceeding because of his or her position, if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Registrant and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

The Registrant maintains a directors' and officers' liability insurance policy covering certain liabilities that may be incurred by any director or officer in connection with the performance of his or her duties and certain liabilities that may be incurred by the Registrant, including the indemnification payable to any director or officer. This policy provides for \$20 million in maximum aggregate coverage, including defense costs. The entire premium for such insurance is paid by the Registrant.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the Securities Act), may be permitted to directors, officers, or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Table of Contents**Item 16. Exhibits**

Exhibit Number	Description
2.1	Stock Purchase Agreement dated as of February 10, 2002 among JAKKS, Toymax and the Shareholders named therein(1)
2.2	Agreement of Merger dated as of February 10, 2002 among JAKKS, JP/T II Acquisition Corp. and Toymax(2)
2.3	Registration Rights Agreement dated as of March 11, 2002 among JAKKS, Best Phase Limited, Hargo (Barbados) Limited, Steve Lebesfeld and Harvey Goldberg(3)
4.1	Form of certificate evidencing shares of common stock(4)
5.1	Opinion of Feder, Kaszovitz, Isaacson, Weber, Skala & Bass LLP, counsel for the Registrant*
23.1	Consent of Pannell Kerr Forster, Certified Public Accountants, A Professional Corporation*
23.2	Consent of Feder, Kaszovitz, Isaacson, Weber, Skala & Bass LLP (included in Exhibit 5.1)(1)
24.1	Power of Attorney*

* Filed herewith.

- (1) Filed as Exhibit 1 to our Statement on Schedule 13D, filed March 20, 2002.
- (2) Filed as Exhibit 2 to our Statement on Schedule 13D, filed March 20, 2002.
- (3) Filed as Exhibit 6 to our Statement on Schedule 13D, filed March 20, 2002.
- (4) Filed on May 1, 1996 as an exhibit to the Company's Registration Statement on Form SB-2 (Reg. No. 333-2048-LA), and incorporated herein by reference.

Item 17. Undertakings

1. The Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

2. The Registrant hereby undertakes that:

(a) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

3. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Malibu, State of California, on September 30, 2002.

JAKKS PACIFIC, INC.

By: /s/ JACK FRIEDMAN

Jack Friedman
Chairman

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JACK FRIEDMAN</u> Jack Friedman	Chairman and Chief Executive Officer (Principal Executive Officer)	September 30, 2002
<u>/s/ JOEL M. BENNETT</u> Joel M. Bennett	Chief Financial Officer (Principal Financial and Accounting Officer)	September 30, 2002
<u>/s/ STEPHEN G. BERMAN</u> Stephen G. Berman		

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Sally Beauty Holdings, Inc.
3001 Colorado Boulevard, Denton, Texas 76210

PROXY STATEMENT**Annual Meeting of Stockholders**

February 2, 2016

This Proxy Statement is being furnished by Sally Beauty Holdings, Inc. ("we," "us," or the "Corporation") in connection with a solicitation of proxies by our Board of Directors to be voted at our annual meeting of stockholders to be held on February 2, 2016. Whether or not you personally attend, it is important that your shares be represented and voted at the annual meeting. Most stockholders have a choice of voting over the Internet, by using a toll-free telephone number, or by completing a proxy card and mailing it in the postage-paid envelope provided. Check your proxy card or the information provided to you by your bank, broker, or other stockholder of record to determine which voting options are available to you. The Internet voting and telephone voting facilities for stockholders of record will be available until 1:00 a.m., local time, on February 2, 2016. This Proxy Statement and the accompanying proxy card were first mailed on or about December 11, 2015.

SOLICITATION AND RATIFICATION OF PROXIES

If the enclosed form of proxy card is signed and returned, it will be voted as specified in the proxy, or, if no vote is specified, it will be voted "FOR" all nominees presented in Proposal 1 and "FOR" the proposal set forth in Proposal 2. If any matters that are not specifically set forth on the proxy card and in this Proxy Statement properly come to a vote at the meeting, the proxy holders will vote on such matters in accordance with their best judgments. At any time before the annual meeting, you may revoke your proxy by timely delivery of written notice to our Corporate Secretary, by timely delivery of a properly executed, later-dated proxy (including an Internet or telephone vote), or by voting via ballot at the annual meeting. Voting in advance of the annual meeting will not limit your right to vote at the annual meeting if you decide to attend in person. If you are a beneficial owner, but your shares are registered in the name of a bank, broker, or other stockholder of record, the voting instructions form mailed to you with this Proxy Statement may not be used to vote in person at the annual meeting. Instead, to be able to vote in person at the annual meeting you must obtain, from the stockholder of record, a proxy in your name and present it at the meeting. See "Questions and Answers about the Meeting and Voting" in this Proxy Statement for an explanation of the term "stockholder of record."

The proxy accompanying this Proxy Statement is being solicited by our Board of Directors. We will bear the entire cost of this solicitation, including the preparation, assembly, printing, and mailing of this Proxy Statement, the proxy, and any additional information furnished to our stockholders. In addition to using the mail, proxies may be solicited by directors, executive officers, and other employees of the Corporation, in person or by telephone. No additional compensation will be paid to our directors, executive officers, or other employees for these services. We will also request banks, brokers, and other stockholders of record to forward proxy materials, at our expense, to the beneficial owners of our Common Stock. We have retained Alliance Advisors, LLC to assist us with the solicitation of proxies for an estimated fee of approximately \$7,500, plus normal expenses not expected to exceed \$13,500.

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OUTSTANDING STOCK AND VOTING PROCEDURES

Outstanding Stock

The stockholders of record of our Common Stock at the close of business on December 4, 2015 will be entitled to vote in person or by proxy at the annual meeting. At that time, there were 150,952,353 shares of our Common Stock outstanding. Each stockholder will be entitled to one vote in person or by proxy for each share of Common Stock held.

If you hold shares through an account with a bank, broker or other similar holder of record, the voting of the shares by the bank, broker or other similar holder of record when you do not provide voting instructions is governed by the rules of the New York Stock Exchange ("NYSE"). These rules allow banks, brokers and other similar holders of record to vote shares in their discretion on "routine" matters for which their customers do not provide voting instructions. On matters considered "non-routine," banks, brokers and other similar holders of record may not vote shares (referred to as "broker non-votes") without your instruction.

Proposal 1 (election of directors) is considered non-routine, and banks, brokers and other similar holders of record therefore cannot vote shares on this proposal without your instructions. Please note that if your shares are held through a bank, broker or other similar holder of record and you want your vote to be counted on this proposal, you must instruct your bank or broker how to vote your shares.

Proposal 2 (the ratification of KPMG LLP as our independent registered public accounting firm for our 2016 fiscal year) is considered a routine matter. Accordingly, banks and brokers may vote shares on this proposal without your instructions.

Quorum

A quorum for the transaction of business will be present if the holders of a majority of our Common Stock issued and outstanding and entitled to be cast thereat are present, in person or by proxy, at the annual meeting. Your shares are counted as present if you attend the annual meeting and vote in person or if you properly return a proxy over the Internet, by telephone or by mail. Abstentions and broker non-votes will be counted for purposes of establishing a quorum. If a quorum is not present at the annual meeting, the annual meeting may be adjourned from time to time until a quorum is present.

Voting Procedures

Votes cast by proxy or in person at the meeting will be tabulated by the Inspector of Election from Computershare Trust Company, N.A. In addition, the following voting procedures will be in effect for each proposal described in this Proxy Statement:

Proposal 1. Nominees for available director positions must be elected by a plurality of the votes cast at the annual meeting. Abstentions and broker non-votes will have no effect in determining whether the proposal has been approved.

Proposal 2. Ratification of the appointment of KPMG LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the votes cast in person or by proxy at the annual meeting. Abstentions will have no effect in determining whether this proposal has been approved. Since this proposal is considered a routine matter, there will be no broker non-votes with respect to this proposal.

If any other matters properly come before the meeting that are not specifically set forth on the proxy card and in this Proxy Statement, such matters shall be decided by a majority of the votes cast at the annual meeting, unless otherwise provided in our Third Restated Certificate of Incorporation ("Certificate of Incorporation"), Sixth Amended and Restated By-Laws ("By-Laws"), the Delaware

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General Corporation Law or the rules and regulations of the New York Stock Exchange. None of the members of our Board have informed us in writing that they intend to oppose any action intended to be taken by us.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THE DELIVERY OF THIS PROXY STATEMENT SHALL, UNDER NO CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN OUR AFFAIRS SINCE THE DATE OF THIS PROXY STATEMENT.

QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

1. What is a proxy?

A proxy is your legal designation of another person, called a proxy holder, to vote the shares that you own. If you designate someone as your proxy holder in a written document, that document is called a proxy. We have designated Mark J. Flaherty, our Senior Vice President and Chief Financial Officer, and Janna Minton, our Group Vice President, Chief Accounting Officer and Controller, to act as proxy holders at the annual meeting as to all shares for which proxies are returned or voting instructions are provided by Internet or telephonic voting.

2. What is a proxy statement?

A proxy statement is a document that SEC regulations require us to give you when we ask you to sign a proxy card designating the proxy holders described above to vote on your behalf.

3. What is the difference between a stockholder of record and a stockholder who holds stock in street name, also called a "beneficial owner?"

If your shares are registered in your name at Computershare Trust Company, N.A., you are a stockholder of record.

If your shares are registered at Computershare Trust Company, N.A. in the name of a broker, bank, trustee, nominee, or other similar holder of record, your shares are held in street name and you are the beneficial owner of the shares.

4. How do you obtain an admission ticket to personally attend the annual meeting?

Stockholders of Record. Your admission ticket is attached to your proxy card. You will need to bring it with you to the meeting.

Street Name Holders. You will need to ask your broker or bank for an admission ticket in the form of a legal proxy and you will need to bring the legal proxy with you to the meeting. If you do not receive the legal proxy in time, bring your most recent brokerage statement with you to the meeting. We can use that to verify your ownership of Common Stock and admit you to the meeting; however, you will not be able to vote your shares at the meeting without a legal proxy. Please note that if you own shares in street name and you are issued a legal proxy, any previously executed proxy will be revoked and your vote will not be counted unless you appear at the meeting and vote in person.

Please note that whether you are a stockholder of record or street name holder, you will also need to bring a government-issued photo identification card to gain admission to the annual meeting.

5. What different methods can you use to vote?

Stockholders of Record. If your shares are registered in your own name, you may vote by proxy or in person at the annual meeting. To vote by proxy, you may select one of the following options:

By Written Proxy You may vote by mailing the written proxy card.

By Telephone or Internet Proxy You may also vote by telephone from the U.S. using the toll-free telephone number on the proxy card, or by the Internet, using the procedures and instructions described on the proxy card and other enclosures. The telephone and Internet voting procedures, including the use of control numbers, are designed to authenticate our stockholders' identities, to allow our stockholders to vote their shares, and to confirm that their instructions have been

properly recorded.

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Street Name Holders. If your shares are held in the name of a bank, broker or other similar holder of record, you will receive instructions from such holder of record that you must follow for your shares to be voted. Please follow their instructions carefully. Also, please note that if the holder of record of your shares is a broker, bank or other nominee and you wish to vote in person at the annual meeting, you must request a legal proxy or broker's proxy from such record holder that holds your shares and present that proxy and proof of identification at the annual meeting.

See question 4 for a further description of how to obtain a legal proxy if your shares are held in street name.

6. What is the record date and what does it mean?

The record date for the annual meeting is December 4, 2015. The record date is established by our Board of Directors as required by Delaware law. Stockholders of record at the close of business on the record date are entitled to receive notice of the annual meeting and to vote their shares at the meeting.

7. What are your voting choices for director nominees, and what vote is needed to elect directors?

For the vote on the election of the director nominees to serve until the 2017 annual meeting, stockholders may:

vote in favor of all nominees,

vote to withhold votes from all nominees, or

vote to withhold votes as to specific nominees, with the remainder of the nominees to be voted in favor.

Directors will be elected by a plurality of the votes cast in person or by proxy at the annual meeting. The Board recommends a vote "FOR" each of the director nominees.

8. What is a plurality of the votes?

In order to be elected, a director nominee does not have to receive a majority of the affirmative votes cast for directors. Instead, the seven nominees elected are those who receive the most affirmative votes of all the votes cast on Proposal 1 in person or by proxy at the meeting.

9. What are your voting choices on the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2016 fiscal year, and what vote is needed to ratify their appointment?

In the vote on the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2016 fiscal year, stockholders may:

vote in favor of the ratification,

vote against the ratification, or

abstain from voting on the ratification.

The proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm will require the affirmative vote of a majority of the votes cast in person or by proxy at the annual meeting. The Board recommends a vote "FOR" Proposal 2.

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10. What if a stockholder does not specify a choice for a matter when returning a proxy?

Stockholders should specify their choice for each proposal described on the enclosed proxy. However, proxies that are signed and returned will be voted "FOR" Proposals 1 and 2 if no specific instructions are given on such proposals.

11. How are abstentions and broker non-votes counted?

Both abstentions and broker non-votes are counted as "present" for purposes of determining the existence of a quorum at the annual meeting. Abstentions will not be included in vote totals and will not affect the outcome of the vote on either Proposal 1 or Proposal 2. Broker non-votes will not be included in vote totals and will not affect the outcome of the vote on Proposal 1. Proposal 2 is considered a routine matter and accordingly there will be no broker non-votes with respect to this proposal.

12. How will stockholders know the outcome of the proposals considered at the annual meeting?

We will announce preliminary results at the annual meeting. We will report final results at <http://investor.sallybeautyholdings.com> and in a filing with the U.S. Securities and Exchange Commission on Form 8-K.

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PROPOSAL 1 ELECTION OF DIRECTORS

Our Board of Directors consists of eight individuals, six of whom qualify as independent of us under the rules of the NYSE. Our Certificate of Incorporation and our By-Laws provide for the annual election of each of our directors for one-year terms.

Following the retirement of Mr. Gollhofer as of October 1, 2015, and the scheduled retirement of Mr. Winterhalter as of the date of this annual meeting, the Board of Directors, acting pursuant to the By-Laws, changed the size of the Board of Directors to seven members effective as of the date of this annual meeting.

Following the recommendations of our Nominating and Corporate Governance Committee, our Board of Directors has nominated Mr. Brickman, Ms. Button Bell, Mr. Eisenberg, Mr. McMaster, Mr. Miller, Ms. Mulder and Mr. Rabin for reelection to our Board of Directors. Accordingly, this Proposal 1 seeks the reelection of these seven directors to a term that will expire at the annual meeting of stockholders in 2017.

Unless otherwise indicated, all proxies that authorize the proxy holders to vote for the election of directors will be voted "FOR" the election of the nominees listed below. If a nominee becomes unavailable for election as a result of unforeseen circumstances, it is the intention of the proxy holders to vote for the election of such substitute nominee, if any, as the Board of Directors may propose. As of the date of this Proxy Statement, each of the nominees has consented to serve and the Board is not aware of any circumstances that would cause a nominee to be unable to serve as a director.

Each of Mr. Brickman, Ms. Button Bell, Mr. Eisenberg, Mr. McMaster, Mr. Miller, Ms. Mulder and Mr. Rabin are current directors with a term expiring at this annual meeting and each has furnished to us the following information with respect to their principal occupation or employment and principal directorships:

Christian A. Brickman, Director, President and Chief Executive Officer, age 50. Mr. Brickman has served on our Board of Directors since September 2012 and is the Corporation's President and Chief Executive Officer, a role he has held since February 2015. Prior to being appointed to his current role, Mr. Brickman served as President and Chief Operating Officer of the Corporation from June 2014 to February 2015. Prior to joining the Corporation, Mr. Brickman served as President of Kimberly-Clark International from May 2012 to February 2014, where he led the Corporation's international consumer business in all operations. From August 2010 to May 2012, Mr. Brickman served as President of Kimberly-Clark Professional. From 2008 to 2010, Mr. Brickman served as Chief Strategy Officer of Kimberly-Clark and played a key role in the development and implementation of Kimberly-Clark's strategic plans and processes to enhance enterprise growth initiatives. Prior to joining Kimberly-Clark, Mr. Brickman was a Principal in McKinsey & Company's Dallas, Texas office and a leader in the firm's consumer packaged goods and operations practices. Before joining McKinsey, Mr. Brickman was President and CEO of Whitlock Packaging, the largest non-carbonated beverage co-packing company in the United States, from 1998 to 2001. From 1994 to 1998, he was with Guinness/United Distillers, initially as Vice President of Strategic Planning for the Americas region and then as General Manager for Guinness Brewing Worldwide's Latin America region. Mr. Brickman was awarded an advanced bachelor's degree in economics in 1986 from Occidental College in Los Angeles where he graduated with honors, Phi Beta Kappa and cum laude. We believe that Mr. Brickman's executive and management experience, including his experience as President of two large international companies, well qualify him to serve on our Board.

Katherine Button Bell, Director, age 57. Ms. Button Bell has served on our Board of Directors since March 2013 and is Vice President and Chief Marketing Officer of Emerson Electric Company, a diversified global manufacturing and technology company, a role she has held since 1999. In this capacity, Ms. Button Bell oversees global marketing and corporate branding, including corporate

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communications, digital strategy, and market research, and played a key role in the launch of Emerson's corporate branding program, building Emerson's brand globally. Prior to joining Emerson, Ms. Button Bell was the President of Button Brand Development, Inc., an independent marketing consulting firm specializing in developing well-recognized companies' brand names. Ms. Button Bell has been a director of Johnson Outdoors Inc., a NASDAQ listed manufacturer of outdoor recreation equipment, since September 2014, and was a director of Furniture Brands International, Inc. from 1997 to May 2008. She also served as a director of the Business Marketing Association from 2013 to 2014. She currently serves on the search committee of St. Louis Children's Hospital, and is a member of the board of trustees of the St. Louis Art Museum. We believe that Ms. Button Bell's executive and management experience well qualify her to serve on our Board.

Marshall E. Eisenberg, Director, age 70. Mr. Eisenberg has served on our Board of Directors since November 2006. Mr. Eisenberg is a founding partner of the Chicago law firm of Neal, Gerber & Eisenberg LLP and has been a member of the firm's Executive Committee for the past 20 years. Mr. Eisenberg is a director of Jel-Sert Company and was formerly a director of Ygomi, Inc. and Engineered Controls International, Inc. Mr. Eisenberg has served on the Board of Visitors of the University of the Illinois College of Law. Mr. Eisenberg received his J.D. degree with honors from the University of Illinois College of Law in 1971, where he served as a Notes and Comments Editor of the Law Review and was elected to the Order of the Coif. We believe that Mr. Eisenberg's extensive legal experience, including his extensive corporate governance experience, well qualifies him to serve on our Board.

Robert R. McMaster, Director, age 67. Mr. McMaster has served on our Board of Directors since November 2006 and as our Lead Independent Director since November 2012. Mr. McMaster has been a director of Carpenter Technology Corporation, a NYSE listed manufacturer and distributor of specialty metals, since 2007, where he currently serves as a member of its audit and operations committees. Mr. McMaster is also chairman of the audit committee of The Columbus Foundation, a charitable trust and nonprofit corporation. From May 2003 until June 2006, Mr. McMaster served as a director of American Eagle Outfitters, Inc. and as chairman of its audit committee and a member of its compensation committee. Mr. McMaster was a director and a member of the audit and compensation committees of Dominion Homes, Inc. from May 2006 to May 2008. From January 2003 until February 2005, Mr. McMaster served as Chief Executive Officer of ASP Westward, LLC and ASP Westward, L.P. and from June 1997 until December 2002, Mr. McMaster served as Chief Executive Officer of Westward Communications Holdings, LLC and Westward Communications, L.P. Mr. McMaster is a former partner of KPMG LLP and a former member of its management committee. He also served as the Senior Financial Advisor to the CEO of Worthington Industries, Inc. from October 2008 to May 2013. We believe that Mr. McMaster's long and varied business career, including his extensive accounting experience, well qualifies him to serve on our Board.

John A. Miller, Director, age 62. Mr. Miller has served on our Board of Directors since November 2006. Mr. Miller is the President and Chief Executive Officer of North American Corporation, a multi-divisional company specializing in industrial paper products, packaging, printing and other commercial consumables. Mr. Miller has served as the President of North American Corporation since 1987. Mr. Miller is also a director of numerous private companies, including Atlantic Premium Brands, Ltd., Wirtz Corporation, Network Services Company and Laureate Education, Inc. We believe that Mr. Miller's long business career, including service as CEO of a large distribution company and his previous service on the board of our previous owner, well qualifies him to serve on our Board.

Susan R. Mulder, Director, age 44. Ms. Mulder has served on our Board of Directors since November 2014 and is the Chief Executive Officer of Nic & Zoe Co., a privately-held woman's apparel company, a role she has held since April 2012. Ms. Mulder is also a director of Nic & Zoe Co. Prior to joining Nic & Zoe Co., Ms. Mulder was a Senior Partner with McKinsey & Company where she spent

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15 years working with retail and consumer clients. Ms. Mulder is a member of the Board of Overseers of Boston Children's Hospital. We believe that Ms. Mulder's executive and retail and consumer experience well qualify her to serve on our Board.

Edward W. Rabin, Director, age 69. Mr. Rabin has served on our Board of Directors since November 2006. Mr. Rabin was President of Hyatt Hotels Corporation until his retirement in 2006, having served in various senior management roles since joining the Corporation in 1969. Mr. Rabin is a director of PrivateBancorp, Inc., a NASDAQ listed bank holding company, and serves on its audit committee and chairs its compensation committee. He also currently serves as a member of the Board of Advisors of First Hospitality Group, Inc., a private company. Mr. Rabin served as lead director of WMS Industries Inc., a formerly NYSE listed company in the gaming industry, from July 2008 until that company was sold in October 2013 and as a member of its audit and compensation committees from December 2005 to October 2013. He also served as a director of SMG Corporation from 1992 through June 2007. Mr. Rabin is a consulting director of the Richard Gray Gallery, Chicago and New York, and was previously a board member of Oneida Holdings, Inc., a private corporation. Mr. Rabin attended the Wharton School of Advanced Business Management and holds an honorary Masters in Business Administration from Florida State University. We believe that Mr. Rabin's executive and management experience, including his experience as president of a large hotel company, well qualify him to serve on our Board.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES LISTED ABOVE.

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INFORMATION REGARDING CORPORATE GOVERNANCE, THE BOARD, AND ITS COMMITTEES

Board Purpose and Structure

The Board oversees, counsels, and directs management in the long-term interests of the Corporation and our stockholders. The Board's responsibilities include:

providing strategic guidance to our management;

overseeing the conduct of our business and the assessment of our business and other enterprise risks to evaluate whether the business is being properly managed;

selecting, evaluating the performance of, and determining the compensation of the CEO and other executive officers;

planning for succession with respect to the position of CEO and monitoring management's succession planning for other executive officers; and

overseeing the processes for maintaining our integrity with regard to our financial statements and other public disclosures, and compliance with law and ethics.

Corporate Governance Philosophy

We are committed to conducting our business in a way that reflects best practices and high standards of legal and ethical conduct. To that end, our Board of Directors has approved and oversees a comprehensive system of corporate governance policies and programs. These documents meet or exceed the requirements established by the NYSE listing standards and by the SEC and are reviewed periodically and updated as necessary under the guidance of our Nominating and Corporate Governance Committee to reflect changes in regulatory requirements and evolving oversight practices. These policies embody the principles, policies, processes and practices followed by our Board, executive officers and employees in governing us.

Code of Business Conduct and Ethics and Corporate Governance Guidelines

Our Board of Directors has adopted (a) our Code of Business Conduct and Ethics and (b) Corporate Governance Guidelines that apply to our directors, officers and employees. Copies of these documents and the charters for our Board committees are available on our website at <http://investor.sallybeautyholdings.com> and are available in print to any person, without charge, upon written request to our Vice President of Investor Relations. We intend to disclose on our website any substantive amendment to, or waiver from, a provision of the Code of Business Conduct and Ethics that applies to our principal executive officer, our principal financial officer, our principal accounting officer or persons performing similar functions. We have not incorporated by reference into this Proxy Statement the information included on or linked from our website, and you should not consider it to be part of this Proxy Statement.

Director Independence

Our Board of Directors is currently comprised of six non-management directors and two management directors (Mr. Winterhalter, who is our Executive Chairman (and who will serve in such position until his retirement on February 2, 2016), and Mr. Brickman, who is our President and Chief Executive Officer). Under the Corporate Governance Guidelines, our directors are deemed independent if the Board has made an affirmative determination that such director has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us) and such director also satisfies the other independence requirements of the NYSE. Our Board of Directors has affirmatively determined that all of our directors, other than

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Messrs. Winterhalter and Brickman, satisfy the independence requirements of our Corporate Governance Guidelines, as well as the NYSE, relating to directors. As part of its annual evaluation of director independence, the Board examined (among other things) whether any transactions or relationships exist currently (or existed during the past three years), between each independent director and us, our subsidiaries, affiliates, equity investors, or independent auditors and the nature of those relationships under the relevant NYSE and SEC standards. The Board also examined whether there are (or have been within the past year) any transactions or relationships between each independent director and members of the senior management of the Corporation or its affiliates.

All of our directors who serve as members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are independent as required by the NYSE corporate governance rules. In addition, all of our Audit Committee members also satisfy the separate SEC independence requirements applicable to audit committee members and all of our Compensation Committee members satisfy the additional NYSE independence requirements applicable to compensation committee members.

Nomination of Directors

The Board of Directors is responsible for nominating directors for election by our stockholders and filling any vacancies on the Board of Directors that may occur. The Nominating and Corporate Governance Committee is responsible for identifying individuals it believes are qualified to become members of the Board of Directors. We anticipate that the Nominating and Corporate Governance Committee will consider recommendations for director nominees from a wide variety of sources, including other members of the Board of Directors, management, stockholders and, if deemed appropriate, from professional search firms. The Nominating and Corporate Governance Committee will take into account the applicable requirements for directors under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the listing standards of the NYSE. In addition, the Nominating and Corporate Governance Committee will take into consideration such other factors and criteria as it deems appropriate in evaluating a candidate, including such candidate's judgment, skill, integrity, and business and other experience and the perceived needs of the Board of Directors at that time. With regard to diversity, the Board of Directors and the Nominating and Corporate Governance Committee believe that sound governance of the Corporation requires a wide range of viewpoints. As a result, although the Board of Directors does not have a formal policy regarding board diversity, the Board of Directors and Nominating and Corporate Governance Committee believe that the Board of Directors should be comprised of a well-balanced group of individuals with diverse backgrounds, educations, experiences and skills that contribute to board diversity, and the Nominating and Corporate Governance Committee considers such factors when reviewing potential director nominees.

Stockholder Recommendations or Nominations for Director Candidates

Our Corporate Governance Guidelines provide that our Nominating and Corporate Governance Committee will accept for consideration submissions from stockholders of recommendations for the nomination of directors. Acceptance of a recommendation for consideration does not imply that the Nominating and Corporate Governance Committee will nominate the recommended candidate. Director nominations by a stockholder or group of stockholders for consideration by our stockholders at our annual meeting of stockholders, or at a special meeting of our stockholders that includes on its agenda the election of one or more directors, may only be made pursuant to Section 1.06 or Section 1.07, as applicable, of our By-Laws or as otherwise provided by law. Nominations pursuant to our By-Laws are made by delivering to our Corporate Secretary, within the time frame described in our By-Laws, all of the materials and information that our By-Laws require for director nominations by stockholders. All notices of intent to make a nomination for election as a director shall be accompanied by the written consent of each nominee to serve as a director.

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Stockholders wishing to recommend or nominate a director must provide a written notice to our Corporate Secretary that includes, among other information required to be provided by our By-Laws, (a) the name, age, business address and residence address of the nominee(s), (b) the principal occupation or employment of the nominee(s), (c) such person's written consent to serve as a director if elected, (d) the class or series and number of shares of Common Stock which are owned beneficially or of record by the nominee(s), (e) a description of all arrangements or understandings between the stockholder and the nominee(s) pursuant to which nominations are to be made by the stockholder, and (f) such other information as the Corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation or whether such nominee would be independent under applicable Securities and Exchange Commission rules and regulations and New York Stock Exchange rules and the Corporation's publicly disclosed Corporate Governance Guidelines. No person shall be eligible to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in Section 1.06 or Section 1.07, as applicable, of our By-Laws and any nominee proposed by a stockholder not nominated in accordance with Section 1.06 or Section 1.07, as applicable, shall not be considered or acted upon for execution at such meeting. Stockholders' notice for any proposals requested to be included in the Corporation's Proxy Statement pursuant to Rule 14a-8 under the Exchange Act (including director nominations), must be made in accordance with that rule.

Director Qualifications

In order to be recommended by the Nominating and Corporate Governance Committee, our Corporate Governance Guidelines require that each candidate for director must, at a minimum, have integrity, be committed to act in the best interest of all of our stockholders, and be able and willing to devote the required amount of time to our affairs, including attendance at Board of Director meetings. In addition, the candidate cannot jeopardize the independence of a majority of the Board of Directors. The candidate should preferably also have the following qualifications: business experience, demonstrated leadership skills, experience on other boards and skill sets that add to the value of our business.

Annual Election of Directors

In 2014, the Board of Directors implemented a process to declassify the Board and provide for the annual election of all directors for one-year terms. Our stockholders approved the declassification proposal at our 2014 annual meeting of stockholders, which resulted in three directors in 2014 being nominated for annual election for one-year terms. At our 2015 annual meeting of stockholders, six directors were nominated and elected for one-year terms. At this annual meeting, all directors of the Board will be elected for one-year terms.

In October 2015, in light of Mr. Gollhofer's retirement as of October 1, 2015 and the scheduled retirement of Mr. Winterhalter as of February 2, 2016, the Board decided to change its size to seven members, effective as of February 2, 2016. At this annual meeting, our stockholders will elect seven individuals to serve on our Board.

Mandatory Retirement Age

Pursuant to our Corporate Governance Guidelines, it is the policy of the Board that no non-management director should serve for more than 15 years in that capacity, although the Board may request that a director who would otherwise be due to retire continue his or her service if (a) the policy would result in multiple retirements in any 12-month period or (b) the Board deems such service to be in the best interest of our stockholders.

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Directors Who Change Their Present Job Responsibility

Pursuant to our Corporate Governance Guidelines, a director who experiences a significant change in job responsibilities or assignment will be required to submit a resignation to the Board. The remaining directors, upon the recommendation of the Nominating and Corporate Governance Committee, will then determine the appropriateness of continued Board membership.

Stockholder-Director Communications

Stockholders and other interested parties may contact any member (or all members) of our Board (including the non-management directors as a group, the Lead Independent Director, any Board committee or any chair of any such committee) by addressing written correspondence to the attention of our Corporate Secretary at 3001 Colorado Boulevard, Denton, Texas 76210. Our Corporate Secretary's office will open all communications received for the sole purpose of determining whether the contents represent a message to our directors. Any contents that legitimately relate to our business and operations and that are not in the nature of advertising, promotions of a product or service, patently offensive material, charitable requests, repetitive materials, or designed to promote a political or similar agenda will be forwarded promptly to the addressee.

Self-Evaluation

The Nominating and Corporate Governance Committee oversees a self-evaluation of the Board each year to determine whether the Board is functioning effectively. In addition, each committee of the Board conducts a self-evaluation each year and reports its findings to the Board.

Board Meetings and Attendance

Pursuant to our Corporate Governance Guidelines, our directors are expected to:

regularly attend meetings of the Board and the committees of which they are members (as well as each annual meeting of stockholders);

spend the time needed to properly discharge their responsibilities;

with respect to our non-management directors, meet at regularly scheduled executive sessions in which management does not participate, which sessions are chaired by the Lead Independent Director;

with respect to our independent directors, meet at least once a year in an executive session without management, which session is chaired by the Lead Independent Director.

In fiscal 2015, our Board of Directors met 14 times, our Audit Committee met 7 times, our Compensation Committee met 6 times, our Executive Committee met 13 times, and our Nominating and Corporate Governance Committee met 4 times. Our independent directors met in executive session 4 times and the non-management directors met 3 times. During fiscal 2015, each of our incumbent directors attended at least 75% percent of the total number of meetings of the Board (during his or her service on the Board) and each committee on which he or she served (during his or her service on such committee). In 2015, all members of the Board attended the Corporation's annual meeting of stockholders.

Board Leadership Structure

In accordance with our By-Laws, the Board elects our Chief Executive Officer and our Chairman, and each of these positions may be held by the same person or may be held by two persons. Under our Corporate Governance Guidelines, the Board does not have a policy, one way or the other, on whether the role of the Chairman and Chief Executive Officer should be separate and, if it is to be separate,

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whether the Chairman should be selected from the non-management directors or be a management director. However, our Corporate Governance Guidelines require that, if the Chairman of the Board is not an independent director, the independent directors shall appoint from among themselves a Lead Independent Director. The Chairman of the Board is responsible for chairing Board meetings and meetings of stockholders, establishing the agendas for Board meetings along with the Lead Independent Director and providing information to the Board members in advance of meetings and between meetings. The Lead Independent Director is responsible for, among other things, coordinating the activities of the independent directors, coordinating with the Chairman to set the agenda for Board meetings, chairing executive sessions of the independent (and non-management) directors, reviewing and approving meeting schedules and information sent to the Board and liaising with the Chairman and the Chief Executive Officer and the other independent directors.

Currently, Mr. Winterhalter serves as our Executive Chairman, Mr. Brickman serves as our Chief Executive Officer and Mr. McMaster serves as our Lead Independent Director. Our Board has determined that this leadership structure is appropriate at this time. In particular, our Board believes that this structure clarifies the individual roles and responsibilities of Mr. Winterhalter and Mr. Brickman, streamlines decision making and enhances accountability. Furthermore, our Board believes that the presence of a Lead Independent Director and a majority of independent directors provides effective oversight of management. Following the scheduled retirement of Mr. Winterhalter as of February 2, 2016, the Board will elect a new Chairman and may revise its leadership structure.

Board's Role in the Risk Management Process

The Board's role in the risk management process is to understand and oversee the Corporation's strategic plans, the associated risks and the steps that senior management is taking to manage and mitigate those risks. To ensure proper oversight of the risk management process, the Audit Committee outlines our risk principles and management framework and sets high level strategy and risk tolerances. Our risk profile is managed by our Vice President of Internal Audit, an officer appointed by and reporting to the Chairman of the Audit Committee. The Vice President of Internal Audit meets at least quarterly in executive session with the Audit Committee, and conducts an annual Enterprise Risk Assessment for the Corporation. This assessment is then presented to the Audit Committee (for development of action items and responsible parties for oversight), the full Board (for information) and the Nominating and Corporate Governance Committee (to ensure appropriate Board oversight of the identified risks). This approach is designed to enable the Board and management to establish a mutual understanding of the Corporation's risk management practices and capabilities, to review the Corporation's risk exposure and to elevate certain key risks for discussion at the Board level. The Board also meets regularly in executive session without management to discuss a variety of topics, including risk management. Through this system of checks and balances, the Board is able to monitor our risk profile and risk management activities on an ongoing basis. Certain officers who report to the Chief Financial Officer also monitor various financial risks which add to the Corporation's overall risk management strategy.

Compensation Risk Assessment

The Compensation Committee has reviewed with management the design and operation of our incentive compensation arrangements, including the performance objectives and target levels used in connection with incentive awards, for the purpose of assuring that these arrangements do not provide our executives or employees with incentive to engage in business activities or other behavior that would impose unnecessary or excessive risk to the value of the Corporation or the investments of our stockholders. The Compensation Committee considered compensation programs that apply to employees at all levels. This risk assessment process included an assessment of the impact of the Corporation's compensation programs on identified primary business risks (using our annual Enterprise

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Risk Assessment as a framework) and an analysis of whether and how our compensation programs support, or provide risks to, our corporate strategy. In addition, the Compensation Committee considered the presence of significant risk mitigation factors inherent in our compensation program, such as those described on page 27 under "Compensation Discussion and Analysis Management of Compensation-Related Risk."

Based on the foregoing, the Compensation Committee concluded in its April 2015 meeting that the Corporation's compensation plans, programs and policies do not create incentives that encourage employees to take risks that are reasonably likely to have a material adverse effect on the Corporation. We believe that our incentive compensation plans, policies and practices provide appropriate incentives for behaviors that are within the Corporation's ability to effectively identify and manage significant risks, are compatible with effective internal controls and our risk management practices and are supported by the oversight and administration of the Compensation Committee with regard to executive compensation programs.

Compensation Recoupment Policy

The Corporation has adopted a compensation recoupment policy that complies with and goes beyond the parameters described in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). Consistent with the Dodd-Frank Act, in the event that we are required to prepare an accounting restatement due to material noncompliance with financial reporting requirements under the U.S. securities laws, we will seek to recover from any current or former executive officer incentive-based compensation (including equity compensation) received during the three-year period preceding the date on which the accounting restatement was required to be made. The amount to be recovered is the excess of the amount paid calculated by reference to the erroneous data, over the amount that would have been paid to the executive officer calculated using the corrected accounting statement data. This compensation recovery would be applied regardless of whether the executive officer engaged in misconduct or otherwise caused or contributed to the requirement for the restatement.

In addition to the above-described recoupment specified by the Dodd-Frank Act, our policy also requires the Corporation, to the extent permitted by governing law, to seek reimbursement of non-equity incentive compensation paid to any current or former employee after January 1, 2011, where: A) (i) the payment was predicated upon the achievement of specified financial results; (ii) such financial results were subsequently the subject of a restatement or other material adjustment, (iii) in the Compensation Committee's view the person engaged in misconduct that caused or contributed to the need for the restatement or material adjustment, and (iv) a lower payment would have been made to the person based upon the correct financial results; or B) such employee commits an act of embezzlement, fraud or theft with respect to the property of the Corporation. In each such instance, the Corporation will seek to recover the person's entire non-equity incentive compensation payment (not just the excess amount earned based on erroneous data) paid during the 12-month period preceding the Compensation Committee's determination that the person engaged in misconduct.

Committees of the Board of Directors

Pursuant to our By-Laws, our Board of Directors has established the following committees:

Audit Committee;

Compensation Committee;

Nominating and Corporate Governance Committee; and

Executive Committee.

The function of each committee is described below.

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Each committee, pursuant to its charter adopted by the Board of Directors, consists of at least three members.

Audit Committee. The Audit Committee currently consists of Mr. McMaster (chair), Mr. Eisenberg and Mr. Miller. The Board has determined that each member of the Audit Committee is financially literate, that each member of the Audit Committee meets the independence requirements of the NYSE and Rule 10A-3 of the Exchange Act and that each of Mr. Eisenberg, Mr. McMaster and Mr. Miller qualifies as an "audit committee financial expert" under SEC rules.

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities for:

the quality and integrity of our financial statements, including oversight responsibility for management's design and implementation, and the effectiveness of, internal controls;

the independent auditor's qualifications and independence;

the performance of our internal audit function and independent auditors;

our compliance with legal and regulatory requirements;

our information technology function;

preparation of the report of the Audit Committee required for our annual proxy statements; and

our financing strategy, financial policies and financial condition

Pre-Approval Policy. The Audit Committee has established an Audit and Non-Audit Services Pre-Approval Policy to pre-approve all permissible audit and non-audit services provided by our independent auditors. We expect that on an annual basis, the Audit Committee will review and provide pre-approval for certain types of services that may be rendered by the independent auditors, together with a budget for the applicable fiscal year. The policy also requires the pre-approval of any fees that are in excess of the amount budgeted by the Audit Committee. The policy contains a provision delegating limited pre-approval authority to the chairman of the Audit Committee in instances when pre-approval is needed prior to a scheduled Audit Committee meeting. The chairman of the Audit Committee is required to report on such pre-approvals at the next scheduled Audit Committee meeting.

The Audit Committee is governed by the Audit Committee charter, which was amended and restated by the Board of Directors on July 30, 2015. A copy of this charter is available on the corporate governance section of our website at <http://investor.sallybeautyholdings.com> and is available in print to any person, without charge, upon written request to our Vice President of Investor Relations.

Compensation Committee. The Compensation Committee consists of Mr. Rabin (chair), Ms. Button Bell, Mr. Eisenberg, and Ms. Mulder. The Board has determined that each such member meets the independence requirements of the NYSE, as well as the "Non-Employee Director" requirements under Rule 16b-3 of the Exchange Act and the "outside director" requirements under Section 162(m) of the Internal Revenue Code. The purpose of the Compensation Committee is to, among other things:

establish our general compensation philosophy and, in consultation with senior management, oversee and assess the development and implementation of compensation programs;

review and approve corporate goals and objectives relevant to Chief Executive Officer compensation and evaluate the Chief Executive Officer's performance in light of those goals and objectives;

determine and approve the Chief Executive Officer's compensation level based on this evaluation;

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review and approve the compensation of the other executive officers and the Board;

review and recommend to the Board of Directors equity-based incentive compensation plans in which senior management will participate;

consider the results of the most recent advisory vote on executive compensation in evaluating or making recommendations regarding executive compensation; and

prepare the reports and analysis on executive compensation, which are required to be included in our annual proxy statements.

The Compensation Committee's processes for fulfilling its responsibilities and duties with respect to executive compensation and the role of our executive officers and management in the compensation process are each described under "Compensation Discussion and Analysis Processes for Determining Executive Compensation" beginning on page 27 of this Proxy Statement.

The Compensation Committee is governed by the Compensation Committee charter, which was amended and restated by the Board of Directors on July 30, 2015. A copy of this charter is available on the corporate governance section of our website at <http://investor.sallybeautyholdings.com> and is available in print to any person, without charge, upon written request to our Vice President of Investor Relations.

Pursuant to its charter, the Compensation Committee may retain such compensation consultants, outside counsel and other advisors as it may deem appropriate in its sole discretion and it has the sole authority to approve related fees and other retention terms. As described in greater detail in "Compensation Discussion and Analysis Processes for Determining Executive Compensation" beginning on page 27 of this Proxy Statement, the Compensation Committee engages an independent executive compensation consultant, Frederic W. Cook & Co., Inc., or Cook, to assist it in its review of our management compensation levels and programs to ensure that our executive compensation program is commensurate with those of public companies similar in size and scope to us. During its engagement, Cook has participated in meetings of the Compensation Committee and advised it with respect to compensation trends and practices, plan design and the reasonableness of individual awards. Cook has not performed any services for our management.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee consists of Mr. Eisenberg (chair), Mr. McMaster, Ms. Mulder and Mr. Rabin. The Board has determined that each such member meets the independence requirements of the NYSE. The purpose of the Nominating and Corporate Governance Committee is to, among other things:

identify individuals qualified and suitable to become members of our Board of Directors and to recommend to our Board of Directors the director nominees for each annual meeting of stockholders;

consider any director candidates recommended by our stockholders pursuant to the procedures described in this proxy statement and in our By-Laws;

recommend to our Board of Directors individual directors to serve on our various Board committees;

develop and recommend to our Board of Directors a set of corporate governance principles applicable to us; and

oversee the evaluation of the Board of Directors and management.

The Nominating and Corporate Governance Committee is governed by the Nominating and Corporate Governance Committee charter, which was amended and restated by the Board of Directors on July 30, 2015. A copy of this charter is available on the corporate governance section of our website

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at <http://investor.sallybeautyholdings.com> and is available in print to any person, without charge, upon written request to our Vice President of Investor Relations.

Executive Committee. The purpose of the Executive Committee is to assist our Board of Directors with its responsibilities and, except as may be limited by law, our Certificate of Incorporation or our By-Laws, to exercise the powers and authority of our Board of Directors when it is not in session. The Executive Committee is governed by the Executive Committee charter, which was amended and restated by the Board of Directors on July 30, 2015. The Executive Committee consists of Mr. Winterhalter (chair) and Messrs. Eisenberg, McMaster and Miller. A copy of this charter is available on the corporate governance section of our website at <http://investor.sallybeautyholdings.com> and is available in print to any person, without charge, upon written request to our Vice President of Investor Relations. Following the scheduled retirement of Mr. Winterhalter as of February 2, 2016, the Board of Directors will revise the composition of its Executive Committee.

Director Indemnification Agreements

Our Board of Directors approved and authorized us to enter into an indemnification agreement with each member of the Board. The indemnification agreement is intended to provide directors with the maximum protection available under applicable law in connection with their services to us.

Each indemnification agreement provides, among other things, that subject to the procedures set forth therein, we will, to the fullest extent permitted by applicable law, indemnify an indemnitee if, by reason of such indemnitee's corporate status as a director, such indemnitee incurs any losses, liabilities, judgments, fines, penalties or amounts paid in settlement in connection with any threatened, pending or completed proceeding, whether of a civil, criminal, administrative or investigative nature. In addition, each indemnification agreement provides for the advancement of expenses incurred by an indemnitee, subject to certain exceptions, in connection with any proceeding covered by the indemnification agreement. Each indemnification agreement also requires that we cover an indemnitee under liability insurance available to any of our directors, officers or employees. Our indemnification obligations under these agreements are primary for all claims against our directors.

No Material Proceedings

As of November 12, 2015, there are no material proceedings to which any of our directors, executive officers or affiliates, or any owner of record or beneficially of more than five percent of our Common Stock (or their associates) is a party adverse to us or any of our subsidiaries or has a material interest adverse to us or any of our subsidiaries.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of our current Compensation Committee is or has been one of our officers or employees or has had any relationship requiring disclosure under SEC rules. In addition, during fiscal 2015, none of our executive officers served as:

a member of the compensation committee (or other board committee performing similar functions or, in the absence of any such committee, the entire board of directors) of another corporation, one of whose executive officers served on the Compensation Committee;

a director of another corporation, one of whose executive officers served on the Compensation Committee; or

a member of the compensation committee (or other board committee performing similar functions or, in the absence of such committee, the entire board of directors) of another corporation, one of whose executive officers served as one of our directors.

Table of Contents**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS****Statement of Policy with Respect to Related Party Transactions**

Our Board of Directors recognizes that related party transactions present a heightened risk of conflicts of interest and/or improper valuation (or the perception thereof) and therefore adopted a Statement of Policy with respect to Related Party Transactions. Under this policy, a "related party transaction" is defined as a transaction between us and any senior officer, director, a stockholder owning in excess of 5% of our Common Stock, a person who is an immediate family member of a senior officer or director, or an entity owned or controlled by any such person, other than (1) transactions available to all employees generally or (2) transactions involving less than \$5,000 when aggregated with all similar transactions. Under this policy, any related party transaction must be approved by the relevant body (as described below) and disclosed to our stockholders as required by SEC rules. If the proposed transaction is not an employment arrangement, the transaction must be approved by either (a) the Audit Committee of our Board of Directors, if the transaction is on terms comparable to those that could be obtained in arm's length dealing with an unrelated third party or (b) the disinterested members of our Board of Directors. If the transaction is an employment arrangement, the proposed transaction must be approved by the Compensation Committee. In approving, ratifying or rejecting a related party transaction or relationship, the relevant body considers whether the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party. Transactions and relationships that are determined to be related party transactions are disclosed in the Corporation's Proxy Statement in accordance with the requirements of the Exchange Act. A copy of our Statement of Policy with respect to Related Party Transactions is available on the corporate governance section of our website at <http://investor.sallybeautyholdings.com> and is available in print to any person, without charge, upon written request to our Vice President of Investor Relations.

INFORMATION ON THE COMPENSATION OF DIRECTORS**Fiscal 2015 Director Compensation Table(1)**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(6)	Total (\$)
Christian A. Brickman(2)			
Katherine Button Bell	82,000	99,981	181,981
Marshall E. Eisenberg	135,000	99,981	234,981
John R. Gollhofer(2)(3)			
Robert R. McMaster	164,000	99,981	263,981
John A. Miller	101,000	99,981	200,981
Martha J. Miller(4)	19,750		19,750
Susan R. Mulder(5)	75,068	90,931	169,999
Edward W. Rabin	107,000	99,981	206,981
Gary G. Winterhalter(2)			

(1) During our 2015 fiscal year, we did not award any non-equity incentive plan compensation to, or maintain any pension or deferred compensation arrangements for, members of our Board of Directors, and our directors did not receive any compensation that would

constitute "All Other Compensation."

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- (2) Messrs. Brickman, Winterhalter and Gollhofer did not receive any compensation for their service as a director during our 2015 fiscal year, nor will they receive compensation for such services going forward. Mr. Winterhalter is retiring from the Board and as the Executive Chairman of the Corporation effective as of February 2, 2016.
- (3) Mr. Gollhofer resigned from the Board effective on October 1, 2015.
- (4) Ms. Miller retired from the Board on November 3, 2014.
- (5) Ms. Mulder was appointed to the Board on November 3, 2014.
- (6) Reflects the grant date fair value of restricted stock unit (RSU) awards, determined in accordance with Financial Accounting Standards Board ASC Topic 718 Stock Compensation ("ASC 718"). The grant date fair value of the RSUs is based on the fair market value of the underlying shares on the date of grant. On October 29, 2014, each director except Ms. Mulder received 3,424 RSUs, which stock award had a grant date fair value equal to \$99,981. On the date of her appointment, Ms. Mulder received 3,113 RSUs which had a grant date fair value equal to \$90,931. As of September 30, 2015, the directors beneficially owned RSUs which were vested but not yet delivered in shares in the following amounts: (a) Mr. Brickman, 8,059; (b) Ms. Button Bell, 9,124; (c) Mr. Eisenberg, 59,962; (d) Mr. McMaster, 55,705; (e) Mr. Miller, 48,479; (f) Ms. Mulder, 3,113; Mr. Rabin, 50,191. Messrs. Winterhalter and Gollhofer do not beneficially own any RSUs. None of the directors received a stock option grant as compensation for their service as a director in fiscal 2015. As of September 30, 2015, Mr. Eisenberg had 4,055 option awards outstanding.

Narrative Discussion of Director Compensation Table

The following is a narrative discussion of the material factors which we believe are necessary to understand the information disclosed in the Director Compensation Table.

Cash Compensation

In fiscal 2015 and pursuant to the Sally Beauty Holdings, Inc. Amended and Restated Independent Director Compensation Policy, which we refer to as our Director Compensation Policy, each of our independent directors received an annual cash retainer of \$55,000, payable in advance in four quarterly installments. For in-person Board or committee meetings during our 2015 fiscal year, each independent director in attendance received \$2,000 per meeting. For telephonic Board or committee meetings for which minutes were kept, each independent director in attendance received \$1,000 per meeting. Additional annual cash retainers were paid to each independent director who served as the Lead Independent Director (Mr. McMaster) or chairperson of the Audit Committee (Mr. McMaster), Compensation Committee (Mr. Rabin), or the Nominating and Corporate Governance Committee (Mr. Eisenberg). This additional retainer was paid in advance in quarterly installments in the following annualized amounts and pro-rated for partial years of service:

Lead Independent Director	\$ 35,000
Audit Committee	\$ 20,000
Compensation Committee	\$ 16,000
Nominating and Corporate Governance Committee	\$ 16,000

Equity-Based Compensation

Pursuant to our Director Compensation Policy, each independent director was granted an annual equity-based retainer award with a value at the time of issuance of approximately \$100,000. For fiscal

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year 2015, these awards were granted in accordance with the 2010 Omnibus Plan in the form of RSUs that vested on September 30, 2015, the last day of the fiscal year, subject to the director's continued service on the Board on such date. On October 29, 2014, each independent director received an award of 3,424 RSUs except Ms. Miller who retired from the Board on November 3, 2014 and Ms. Mulder who received a prorated award when she was appointed on November 3, 2014. As provided in the Director Compensation Policy, each independent director may elect to defer delivery of the shares of Common Stock that would otherwise be due on the vesting date until a later date specified by the independent director. Deferred shares are retained by us as deferred stock units that are distributed on the date specified by the independent director. If an independent director does not make such election, he or she will receive shares of Common Stock in settlement of the RSU on the vesting date. Vesting accelerates on a pro-rata basis in the event of the director's death or disability.

Stock Ownership and Retention Guidelines

Pursuant to our minimum stock ownership guidelines, each independent director must own shares of Common Stock in an amount equal to five times the base annual cash retainer (excluding additional annual cash retainers for the Lead Independent Director and committee chairpersons and meeting fees). Independent directors are required to achieve the applicable level of ownership within five years of becoming subject to the requirements. Until such time as the required equity ownership is reached, the independent director must retain 100% of the shares of Common Stock received upon settlement of his or her RSUs. Shares underlying vested RSUs (including deferred shares) count towards the stock ownership total. Unexercised options (whether vested or unvested) and unvested RSUs do not count as stock owned under the guidelines. As of November 12, 2015, all of our independent directors were in compliance with our stock ownership guidelines.

Travel Expense Reimbursement

Each of our independent directors is entitled to reimbursement for reasonable travel expenses properly incurred in connection with his or her functions and duties as a director. With respect to air travel, reimbursements are limited to the cost of first-class commercial airline tickets for the trip.

COMPENSATION DISCUSSION AND ANALYSIS

In this section of our Proxy Statement, we explain how our executive compensation programs are designed and operate with respect to the following executive officers (whom we refer to as our "named executive officers"):

Gary G. Winterhalter, our Chief Executive Officer during a portion of fiscal 2015 and current Executive Chairman (serving until his scheduled retirement on February 2, 2016),

Christian A. Brickman, our current President and Chief Executive Officer,

Mark J. Flaherty, our Senior Vice President and Chief Financial Officer,

John R. Golliher, our former President of Beauty Systems Group LLC during a portion of 2015,

Matthew O. Haltom, our Senior Vice President, General Counsel and Secretary; and

Mark G. Spinks, our current President of Beauty Systems Group LLC.

For a complete understanding of our executive compensation program, this Compensation Discussion and Analysis should be read in conjunction with the Summary Compensation Table and other compensation disclosures included on pages 43-61 of this Proxy Statement.

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Executive Overview

Our Business

We are the largest distributor of professional beauty supplies in the U.S. based on store count. We operate primarily through two business units, Sally Beauty Supply and Beauty Systems Group, or BSG. Through Sally Beauty Supply and BSG (which primarily operates stores under the CosmoProf service mark), we operated a multi-channel platform of 4,792 stores and supplied 175 franchised stores primarily in North America, South America and selected European countries, as of September 30, 2015. Within BSG, we also have one of the largest networks of professional distributor sales consultants in North America, with approximately 958 professional distributor sales consultants who sell directly to salons and salon professionals. Sally Beauty Supply stores target retail consumers and salon professionals, while BSG exclusively targets salons and salon professionals.

Fiscal 2015 Business Highlights

Fiscal 2015 was a mixed year for the Corporation, customer traffic at our BSG and Sally International businesses was healthy; however, store traffic in the Sally U.S. stores was soft. Some of the key metrics regarding our performance are:

Consolidated net sales increased 2.2% from fiscal 2014 to \$3.8 billion. The impact from unfavorable foreign currency exchange in the 2015 fiscal year was \$87.3 million, or 2.3%.

GAAP net earnings for fiscal 2015 were \$235.1 million, which represents a 4.4% decrease over fiscal 2014.

GAAP diluted earnings per share were \$1.49, representing a 1.3% decrease over fiscal 2014.

Adjusted earnings before share-based compensation, non-recurring items, interest, taxes, depreciation and amortization (EBITDA)* were \$612.4 million, representing a 0.2% increase over fiscal 2014.

Fiscal 2015 saw growth in sales, representing a 2.2% increase over fiscal 2014:

Growth in sales (in 000's)

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For a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP, financial measure, see Exhibit 99.1 to our Form 8-K filed with the SEC on November 12, 2015.

Our GAAP diluted earnings per share were \$1.49, representing a 1.3% decrease over fiscal 2014.

Growth in EPS (in \$s)

Additionally, our adjusted EBITDA* increased 0.2% in fiscal 2015, to \$612.4 million.

For a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP, financial measure, see Exhibit 99.1 to our Form 8-K filed with the SEC on November 12, 2015.

Fiscal 2015 Executive Management Transition

On January 30, 2015, pursuant to our previously-announced transition plan approved by the Board in April 2014, our Board appointed Mr. Brickman Chief Executive Officer of the Corporation effective as of February 1, 2015, which we refer to as the CEO Transition Date. Mr. Brickman succeeded Mr. Winterhalter as the Corporation's Chief Executive Officer. Mr. Brickman will continue to serve as a member of our Board, subject to his re-election by our stockholders. Also pursuant to the executive transition plan, the Board appointed Mr. Winterhalter as Executive Chairman of the Corporation effective as of the CEO Transition Date. As Executive Chairman, Mr. Winterhalter performed such duties as are customary for that position, as well as any duties reasonably requested by the Chief Executive Officer or our Board. Due to his scheduled retirement on February 2, 2016, Mr. Winterhalter will no longer be a director or Executive Chairman of the Corporation as of the date of the annual meeting.

On July 31, 2015, Mr. Gollhofer resigned from his position as President of Beauty Systems Group and our Board appointed Mr. Spinks as President of Beauty Systems Group. Mr. Gollhofer served the Corporation in his role as director until the effective date of his resignation from the Board, October 1, 2015. In light of Mr. Gollhofer's resignation and the scheduled resignation of Mr. Winterhalter on February 2, 2016, on October 29, 2015, the Board, acting pursuant to our By-Laws, reduced the size of its membership from nine to seven effective as of February 2, 2016.

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2015 Executive Compensation Highlights

Executive compensation was primarily delivered through a combination of base salary, annual incentives and long-term incentives in the form of stock options and shares of restricted stock. Our program closely links realized compensation to the achievement of financial objectives and increases in the Corporation's stock price. Twenty two percent (22%) of Mr. Brickman's fiscal 2015 target compensation in his role as CEO was performance-based.

As described above, fiscal 2015 was a challenging year for the Corporation, and we failed to meet certain of the financial performance targets under the annual incentive plan. As a result, all of the named executive officers other than Messrs. Gollhofer and Spinks earned below-target annual incentive payments for fiscal 2015.

We increased Mr. Flaherty's base salary by 5% and Mr. Gollhofer's base salary by 3% to maintain this element of compensation at approximately the median of the market, which is our target market percentile level, and for Mr. Haltom by 12.7% to move his salary closer to the median of the market. In connection with Mr. Brickman's transition to Chief Executive Officer, the Compensation Committee approved an increase in Mr. Brickman's annual salary by 44%, from \$660,000 to \$950,000, effective as of the CEO Transition Date. In addition, the Compensation Committee increased Mr. Brickman's target annual bonus opportunity under the Corporation's Management Incentive Plan from 80% of his base salary to 100% of his base salary, effective as of the CEO Transition Date. Mr. Winterhalter did not receive a base salary increase in fiscal 2015.

As part of our regular long-term incentive program, we awarded our named executive officers service-based stock options and service-based shares of restricted stock in amounts consistent with our historical practices. Historically, our named executive officers received their regular annual long-term incentive award in the form of stock options, with restricted stock awards reserved for limited purposes. However, as discussed later in this Compensation Discussion and Analysis, for fiscal 2015, the Compensation Committee changed the structure of the long-term incentive awards for all executive officers other than Mr. Winterhalter, granting two-thirds of the award in the form of stock options and one-third in the form of restricted stock. Mr. Winterhalter received one-half of his award in the form of stock options and one-half in the form of restricted stock.

In addition to our regular long-term incentive awards, we granted additional restricted stock awards to our named executive officers to promote retention during a time of transition for our management team.

In October 2015, the Compensation Committee approved a new long-term incentive program, pursuant to which employees at the Vice President level and above received a significant portion (33%) of their fiscal 2016 equity-based compensation in the form of performance-based restricted stock units (PBRUs) and the remaining portion in the form of time-based stock options (67%).

In connection with Mr. Spinks promotion to President of Beauty Systems Group on July 31, 2015, the Compensation Committee increased his base salary by 25%, from \$300,000 to \$375,000, and increased his target annual bonus percentage from 55% of his base salary to 60% of his base salary. In addition, he received an award of 3,354 restricted shares, having an approximate grant date target fair value of \$100,000, which award will vest ratably over three years beginning on the first anniversary of the date of grant, subject to Mr. Spinks' continued employment with the Corporation on each applicable vesting date.

Mr. Gollhofer and the Corporation entered into a consulting agreement pursuant to which, commencing October 1, 2015, Mr. Gollhofer will continue to provide significant services and advice to the Corporation in exchange for a monthly consulting fee of \$20,833.33.

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2015 Compensation Governance Highlights

We endeavor to maintain good governance standards including with respect to the oversight of our executive compensation policies and practices. The following policies and practices were in effect during fiscal 2015:

- ii The Compensation Committee is composed solely of independent directors who have established channels to communicate with stockholders regarding their executive compensation views.
- ii The Compensation Committee's independent compensation consultant, Frederic W. Cook & Co., Inc., is retained directly by the Compensation Committee and performs no other consulting or other services for us.
- ii The Compensation Committee conducts an annual review and approval of our compensation strategy, including a review of our compensation-related risk profile to assure that compensation-related risks are not reasonably likely to have a material adverse effect on the Corporation.
- ii The Compensation Committee reviews tally sheets in connection with making compensation decisions.
- ii We have a compensation recoupment policy for executives that complies with the Dodd-Frank Act, requiring current and former executives to return incentive compensation that is subsequently determined not to have been earned.
- ii Minimum vesting requirements under our 2010 Omnibus Plan require that, subject to certain limited exceptions, full-value awards either (i) be subject to a minimum vesting period of three years, or one year if the vesting is based on performance criteria, or (ii) be granted solely in exchange for foregone cash compensation.
- ii The exercise price of options granted under our 2010 Omnibus Plan is never less than the closing price of our Common Stock on the date of grant.
- ii We have meaningful stock ownership and retention guidelines for our executive officers, including the named executive officers, and our independent directors.
- X We prohibit all employees and directors from engaging in any margin trading, pledging or hedging transactions with respect to the Corporation's stock.
- X We do not provide "single trigger" change-in-control severance benefits. Our equity plans provide for "double trigger" change-in-control vesting for awards assumed by the surviving company. We do not provide Section 280G excise tax "gross-ups."
- X The change in control definition contained in our 2010 Omnibus Plan and severance agreements is not a "liberal" definition that would be activated on mere stockholder approval of a transaction.
- X We do not provide excessive perquisites. Our named executive officers participate in the same benefit programs at the same cost as other salaried employees, and receive only minimal perquisites, consisting of reimbursement for an annual physical and, in limited situations, reimbursement for relocation expenses and health insurance premiums (upon hire and only prior to eligibility for coverage under the Corporation's group health plans).
- X We do not provide tax "gross-ups" for perquisites or other benefits provided to our executive officers, other than in the case of reimbursement of certain new-hire relocation and health insurance expenses.

X

Our plans prohibit the repricing of stock options without stockholder approval.

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Philosophy/Objectives of Executive Compensation

Our Compensation Committee has developed the following set of objectives to guide the design of our executive officer compensation plans and practices, including those for our named executive officers. The Compensation Committee considers these objectives when making decisions regarding the forms, mix and amounts of compensation paid to our executive officers:

Attract, motivate and retain highly qualified individuals. To assure that our compensation arrangements remain competitive with the compensation paid by other employers who compete with us for talent, the Compensation Committee considers peer group information as one input in its decision-making process. In fiscal 2015, we targeted our compensation program to provide total direct compensation opportunities for our named executive officers at approximately the median of our peer group. The Compensation Committee uses its judgment to vary executive officer pay within the targeted range and from the targeted range based on various factors, such as an executive officer's performance, responsibilities, experience and expected future contributions.

Align the interests of our executive officers more closely with those of our stockholders. The compensation program for our executives is weighted toward performance-based compensation, with base salary generally being the only component of an executive officer's direct compensation that is fixed each year. Other components, including annual bonus and long-term incentive compensation, are subject to the achievement of financial and strategic business objectives and/or increases in stock price. The Compensation Committee believes this performance-driven compensation will promote our long-term success and lead to increased stockholder returns.

Manage risk by balancing the time horizon of incentive compensation. Our compensation program is balanced between short and long-term performance objectives, but always with a view to achieving long-term value for our stockholders. This structure, together with our compensation recoupment policy, encourages and rewards sustained superior performance.

We believe our compensation program provides a balanced and stable foundation for achieving our intended objectives. Our compensation philosophy emphasizes team effort, which we believe fosters rapid adjustment and adaptation to fast-changing market conditions and helps to not only achieve our short-term and long-term goals, but also aligns the interests of our management team with those of the Corporation and our stockholders.

Internal Equity

Internal equity is one factor of many that the Compensation Committee considers in establishing compensation for our executives. While there is no formal policy, the Compensation Committee reviews compensation levels to ensure that appropriate parity exists. The differences in compensation levels among our named executive officers reflect the significant variations in their relative responsibilities. The responsibilities of the Chief Executive Officer for management and oversight of a global enterprise

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are significantly higher than those of our other named executive officers. As a result, the pay level for our Chief Executive Officer is commensurately higher than the pay for other officer positions.

Management of Compensation-Related Risk

We have designed our compensation programs to avoid excessive risk-taking. The following are some of the features of our program designed to help us appropriately manage business risk:

Diversification of incentive-related risk by employing a variety of performance measures;

A balanced weighting of the various performance measures, to avoid excessive attention on achievement of one measure over another;

An assortment of vehicles for delivering compensation, including cash and equity based incentives with different time horizons, to focus our executives on specific objectives that help us achieve our business plan and create an alignment with long-term stockholder interests;

A compensation recoupment policy, as described on page 15;

Standardized equity grant procedures; and

Stock ownership and retention guidelines applicable to all executive officers.

Processes for Determining Executive Compensation

The Compensation Committee continues to review each element of our executive compensation program, and the methods for determining the types and amounts of compensation, to assure that they help us meet our compensation philosophy and objectives. The Compensation Committee receives input from its independent compensation consultant as well as from members of management, as discussed below.

Role of Independent Compensation Consultant

The Compensation Committee retained the services of an independent consultant, Cook, to assist in its review of our management and non-employee director compensation levels and programs. As part of this engagement, Cook assisted the Compensation Committee in the design of our current compensation program for executives, and continues to advise the Compensation Committee on the program. The Compensation Committee has directly engaged Cook to assist with these same services for fiscal 2015, based on Cook's experience, expertise and familiarity with our company. Cook does not provide any services to our management, and does not provide any service to us, other than with respect to its role as the Compensation Committee's executive compensation consultant.

Conflicts of Interest Assessment

The Compensation Committee determined that the work of Cook did not raise any conflicts of interest in fiscal 2015. In making this assessment, the Compensation Committee considered the independence factors enumerated in Rule 10C-1(b) under the Securities Exchange Act of 1934 and the NYSE listing standards, including the fact that Cook does not provide any other services to the Corporation, the level of fees received from the Corporation as a percentage of Cook's total revenue, policies and procedures employed by Cook to prevent conflicts of interest, and whether the individual

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Cook advisers to the Compensation Committee own any stock of the Corporation or have any business or personal relationships with members of the Compensation Committee or our executive officers.

Market Data/Benchmarking

Cook assisted the Compensation Committee in benchmarking our compensation arrangements and aggregate equity compensation practices against public companies similar in size and scope to our company. Cook obtained proxy data from the peer companies described below, as well as comparative compensation surveys of general industrial companies.

The following 12 specialty retail companies comprised our peer group for fiscal 2015, which we refer to as our "peer companies" or "peer group:"

Advance Auto Parts, Inc.	Fred's, Inc.	Stage Stores, Inc.
Dick's Sporting Goods, Inc.	O'Reilly Automotive, Inc.	Stein Mart, Inc.
Dollar Tree, Inc.	PetSmart, Inc.	Tractor Supply Company
Family Dollar Stores, Inc.	The Sherwin-Williams Company	Williams-Sonoma, Inc.

The Compensation Committee selected the companies in the peer group, after reviewing data on retail companies (including financial metrics, line-of-business, stock performance and employee count for each respective company) and considering several criteria, including the comparability of specialty retailers and the volatility and maturity of potential peers. In terms of size, our revenues and our market capitalization approximated the 25th percentile of these peer companies. The peer group is the same as the peer group for fiscal 2014.

Role of Management

The Compensation Committee also considers the views and insights of our management, including our executive officers, in making compensation decisions. In particular, our Chief Executive Officer recommends to the Compensation Committee the base pay levels and individual compensation targets for each executive officer (other than himself) based on each executive's experience, as well as our Chief Executive Officer's view as to the strategic importance of that executive's role, knowledge and performance. Our Chief Executive Officer's unique insight into our business and day-to-day interaction with our senior executives provides a valuable resource to the Compensation Committee with respect to our executive compensation programs. In addition, the Compensation Committee relied on recommendations made by our Chief Executive Officer and our Chief Financial Officer in selecting the performance metrics and targets for fiscal 2015 annual incentive compensation awards.

Our Chief Executive Officer as well as other members of management generally attend Compensation Committee meetings to provide input on executive contributions, but no member of management participates in discussions with the Compensation Committee concerning his or her own compensation. The Compensation Committee also works closely with our internal legal, human resources, and finance personnel in establishing and monitoring our compensation programs. Our Chief Financial Officer provides the Compensation Committee with input on our financial performance and operational issues, and our General Counsel provides input to the Compensation Committee regarding compliance with the laws, regulations and best practices applicable to executive compensation.

In fiscal 2015, management also retained the services of a compensation consultant, Mercer (US) Inc., to provide support to the Corporation with respect to the design of its new long-term incentive program implemented in fiscal year 2016 (as described later in this Compensation Discussion and Analysis). Mercer advised management with respect to the various structures, design and elements of a long-term incentive based program that are consistent with the market. The Compensation

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Committee was aware of Mercer's services provided to management; however, management defined and authorized the work.

Experience of our Compensation Committee

The Chair of our Compensation Committee has significant experience in the management of professionals and has served both as chair and as a member of the compensation committees of other publicly-traded companies, and all of our Compensation Committee members have significant experience with regard to the oversight of executive compensation practices of large publicly-traded companies. The Board believes that this experience provides the members of our Compensation Committee with a solid frame of reference within which to evaluate our executive compensation programs and practices.

Total Compensation Review

As part of its process for determining the amount and mix of total compensation to be paid to our executive officers in fiscal 2015, the Compensation Committee reviewed tally sheets prepared by management containing information for each executive officer regarding, among other things:

compensation for the last four fiscal years;

length of service with us;

the types and amounts of long-term incentive awards granted in the previous four fiscal years;

the types and amounts of our equity securities, both vested and unvested, owned as of the end of the most recently completed fiscal year;

the proceeds realized from option exercises during the last four fiscal years;

perquisites and other compensation paid in the previous fiscal year; and

the severance and other payments that he or she would receive upon the occurrence of certain events, taking into account the proposed compensation to be paid to such executive officer for the new fiscal year.

The Compensation Committee believes that this comprehensive annual review is important to an understanding of the total compensation paid and, in certain circumstances, payable to, our executive officers. The Compensation Committee uses these reports to test whether the various forms, targets, mix, and amounts of compensation paid and payable to our executive officers remain consistent with our compensation objectives. Based on its review for fiscal 2015, the Compensation Committee believes that the overall compensation of our executive officers was in line with the philosophy and objectives set forth above.

The Compensation Committee strives to make decisions on each element of executive compensation within the context of an officer's entire compensation package, meaning that a decision on one pay element (such as base salary) impacts decisions made on other pay elements (such as annual and long-term incentives). Based upon input received from Cook, the Compensation Committee believes that this program balances both the mix of cash and equity compensation, the mix of currently-paid and longer-term compensation, and the security of severance and change-in-control benefits in a way that furthers the compensation objectives discussed above.

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Compensation Components for Fiscal 2015

The following are the principal elements of the fiscal 2015 compensation program for our executive officers, including our named executive officers, each of which are described in greater detail following the chart:

Element	Form of Compensation	Purpose	Performance Criteria	Actions Taken in Fiscal 2015
Base Salary	Cash	Providing a competitive level of fixed compensation that attracts and retains skilled management, recognizing their respective roles, responsibilities, and experience.	Reviewed annually for increases.	Increases as follows: Mr. Gollhofer, 3% Mr. Flaherty, 5% Mr. Haltom, 12.7% Mr. Brickman, 44% Mr. Spinks, 25%
Annual Incentive Bonus	Cash	Communicating and driving achievement of strategic short-term objectives that are important to our sustained success and stock value.	Funded based on sales, adjusted EBITDA and working capital goals, with potential adjustment based on individual performance, as discussed on pages 32-36. The AIP financial performance targets for fiscal 2015 are set forth in the table on pages 33-35.	No increase for Mr. Winterhalter. Each of the named executive officers earned between 53% and 104% of target based on achievement of performance goals. No discretionary adjustments to bonus payments were made based on individual performance.
Long-Term Incentive Awards	Stock Options Restricted Stock	Creating a strong financial incentive for meeting or exceeding long-term financial goals, rewarding past performance, recognizing promotions and encouraging an equity stake in the	Value for options requires sustained increases in common stock price over the life of the option (maximum ten-year period). Value of	Each of the named executive officers received stock options and shares of restricted stock (2/3 rd /1/3 rd value mix) that vest over a 4 year period, except for Mr. Winterhalter whose value mix was 50/50.

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Corporation, and aligning their interests with those of our stockholders. Also encouraging officer retention through multi-year vesting requirements.

restricted stock rewards at vesting tied to Company stock price.

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The Corporation also provides the following elements of compensation:

Element	Form of Compensation	Purpose
Health and welfare plans	Eligibility to receive available health and other welfare benefits paid for, in whole or in part, by the Corporation, including broad-based medical, dental, life and disability insurance.	Providing a competitive, broad-based employee benefits structure and promoting the good health of our executives.
Retirement Plan	Eligibility to participate in, and receive Corporation contributions to, our 401(k) plan (available to all employees).	Providing competitive retirement-planning benefits to attract and retain skilled management.
Perquisites	Reimbursement for annual physical.	Promoting the good health of our executives.
Limited Sign-On Payments and Benefits	Sign-on cash bonus and certain perquisites: Reimbursement of relocation expenses in limited situations. Reimbursement of health insurance premiums only upon hire and prior to eligibility for coverage in Corporation's group health plans in limited situations.	Provide a competitive sign-on package that attracts and retains skilled management.
Limited Non-Change-in-Control Severance Protection	For our Executive Chairman, payment of base salary through the remainder of the transition period and medical and dental insurance until his eligibility for Medicare.	Promote retention during a period of transition for our management team.
Change-in-Control Severance Protection	Eligibility to receive cash severance (1.99 times base salary) and post-termination health benefits (24 months) in connection with involuntary termination within two years after a change of control.	Providing a competitive compensation package for retention purposes before and after a change in control, as well as ensuring continuity of management in the event of any actual or threatened change in control of our Corporation.

Base Salary

The Compensation Committee determines the base salary for each of our named executive officers on an annual basis (unless market conditions or changes in responsibilities merit mid-year changes) and targets base salaries at or near the median of the companies in our peer group. The Compensation Committee uses its judgment to vary executive officer pay within the targeted range and from the targeted range based on various factors, such as an executive officer's performance and responsibilities.

In evaluating each executive officer's performance in his position with us, the Compensation Committee relies primarily on our Chief Executive Officer's performance review of each executive officer other than himself. The subjective factors considered by our Chief Executive Officer primarily consist of whether the executive officer met the developmental and operational goals set for him or her and the financial performance within the executive officer's area of responsibility.

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In September 2014, the Compensation Committee reviewed market data on our peer companies to determine whether any significant changes to the base salaries for our executive officers were needed for fiscal 2015 to align our executive team with the market. Except as noted below, the Compensation Committee did not materially increase the base salary levels of the named executive officers (increases ranged from 0.0% to 5.00% with adjustments to reflect executive performance and to move executive salaries closer to the targeted competitive position):

Mr. Brickman received an increase of 44%, from \$660,000 to \$950,000 in connection with his promotion from Chief Operating Officer to Chief Executive Officer on February 1, 2015 and in recognition of his effective handling of his increasing role and responsibilities in connection with such transition;

Mr. Haltom received an increase of 12.7%, from \$355,000 to \$400,000, to align his compensation to the market rate as he continued to develop well in his role as Senior Vice President, General Counsel and Secretary following his promotion to that role in fiscal 2013; and

Mr. Spinks base salary received an increase of 25%, from \$300,000 to \$375,000, to target approximately the 25th percentile of market in reflection of his transition into the role of head of a business segment.

The annual base salary for each of our other named executive officers increased as follows: Mr. Flaherty, \$475,000 to \$498,750; Mr. Gollhofer, \$475,000 to \$489,250. Mr. Winterhalter's base salary remained unchanged at \$1,000,000.

The Compensation Committee believes that the base salaries paid to our named executive officers during fiscal 2015 were appropriate to facilitate our ability to retain and motivate such officers and were competitive with those offered by our peer companies. For the base salaries paid to our named executive officers during fiscal 2015, please see the "Summary Compensation Table" on page 43 of this Proxy Statement.

Annual Cash Incentive Bonus

AIP. For fiscal 2015, annual cash incentive bonuses for our named executive officers were made pursuant to the Sally Beauty Holdings, Inc. Annual Incentive Plan, which we refer to as the AIP, which operates as a sub-plan of the 2010 Omnibus Plan. The AIP is designed to function as a "plan within a plan" in order to preserve deductibility under Section 162(m) of the Internal Revenue Code, while giving the Compensation Committee the flexibility to tailor awards to reflect financial, operational and individual achievements based on subjective as well as objective criteria. The "outer layer" component of the AIP is entirely objective. No bonuses will be payable under the AIP unless we achieve positive operating income for the year, as reflected in our audited consolidated financial statements. If we achieve this threshold financial goal for the year, our Chief Executive Officer's maximum award is 1% of such operating income and each other named executive officer's maximum award is 0.5% of such operating income, which we refer to as the "Section 162(m) maximum awards." As the "inner layer" component of the AIP, at the beginning of each year the Compensation Committee establishes other financial, operational and/or individual performance goals for each executive officer that will be used to determine actual bonus amounts that are below the officer's Section 162(m) maximum award. The Compensation Committee in effect uses "negative discretion" to reduce the Section 162(m) maximum awards, as it deems appropriate, based on our financial performance relative to these pre-determined goals and based on the Compensation Committee's more subjective evaluation of financial, operational and individual performance.

Award Opportunities. Consistent with the above approach, the Compensation Committee established certain performance criteria for each named executive officer which, if satisfied, would enable him to earn a target-level (below maximum) award under the AIP for fiscal 2015 (we refer to

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these "inner layer" performance criteria as the AIP criteria). These AIP criteria are factors used by the Compensation Committee in exercising its discretion to appropriately size the AIP bonuses, if any, to an amount that is below the Section 162(m) maximum award amount, as described above.

Our Chief Executive Officer made recommendations to the Compensation Committee as to the percentage of each named executive officer's base salary (other than himself) to be used as his target-level award under the AIP, based on job responsibilities and peer group data provided by Cook. The Compensation Committee made the determination as to the percentage of the Chief Executive Officer's base salary to be used for his target-level award under the AIP, based on his job responsibilities and the peer group data provided by Cook. With the exception of Mr. Brickman, whose bonus target was 80% of his base salary until the time of his appointment as Chief Executive Officer, and Mr. Spinks, whose bonus target was 55% at the beginning of fiscal 2015, the bonus targets for our named executive officers for fiscal 2015 were the same as for fiscal 2014 and fiscal 2013: 100% of base salary for Mr. Winterhalter and 60% of base salary for our other named executive officers. At the time of Mr. Brickman's appointment as Chief Executive Officer, his bonus target was increased to 100% of his base salary. At the time of Mr. Spinks' promotion to President of Beauty Systems Group LLC his bonus target was increased to 60% of his base salary.

The AIP is designed so that if we achieve the AIP financial performance targets (as discussed below), the executive is eligible to earn 100% of his target bonus award. Financial performance at below-target levels (subject to a threshold of 96.1% of target performance for each metric) would result in awards as low as 2.5% of the target award, subject to the discretion of the Compensation Committee to make adjustments as described below. If we exceed the AIP financial performance targets, each named executive officer is eligible to earn an AIP bonus in an amount up to 200% of his target award, not to exceed the designated individual award limit. We refer to these higher amounts as the "AIP maximum awards," as distinguished from the Section 162(m) maximum awards.

AIP Financial Performance Criteria. In establishing the performance objectives for fiscal 2015, the Compensation Committee determined that the primary emphasis should be on financial performance objectives. Accordingly, in order for an executive to receive 100% of his AIP target bonus, the target level of financial performance must be achieved, subject to a potential adjustment based on individual performance, as described below.

For fiscal 2015, the AIP financial criteria consisted of the following three performance metrics, which were measured with reference to our annual operating plan. For shared services officers (Messrs. Brickman, Winterhalter, Flaherty, and Haltom), these metrics were expressed on the consolidated level as made up by individual reporting units. For heads of a business unit (Messrs. Gollither and Spinks), these metrics were expressed as that segment's portion of our annual operating plan. The percentage weighting of the various financial metrics represents the Compensation Committee's determination regarding the relative importance of each metric to our overall financial performance.

Sales (30%). Sales, excluding unbudgeted acquisitions, measures our growth. It is a valuable measure in determining incentive compensation, as it provides consistency and comparability in our financial reporting and therefore links the compensation of our executive officers with our growth objectives.

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Adjusted EBITDA (50%). Adjusted EBITDA, excluding unbudgeted acquisitions, provides a meaningful measure of our ability to meet our future debt service, capital expenditures and working capital requirements. For incentive award purposes, we calculate adjusted EBITDA in the same manner as we publicly report this non-GAAP financial measure to the public in our quarterly earnings releases.

Working Capital (20%). Working capital (expressed as a percentage of sales) provides a meaningful measure of the capital employed in our business. We use this measure as a means to reward employees for decreasing the level of capital needed to effectively run the business so that any additional cash could be used for other value-creating purposes, such as the repayment of debt, acquisitions, or opening additional stores. We define this working capital target as the 12-month average value of inventory and accounts receivable, minus accounts payable, expressed as a percentage of sales for the corresponding fiscal year period.

In setting the financial performance targets for the AIP, the Compensation Committee reviewed our financial projections for fiscal 2015 with Mr. Winterhalter and Mr. Flaherty. For fiscal 2015, the AIP financial performance targets were as follows:

	Sales(1)	Adjusted EBITDA(1)	Working Capital(1)
Messrs. Brickman, Winterhalter, Flaherty and Haltom	\$3.913 billion (weighted 30%)	\$641.3 million (weighted 50%)	14.88% of Sally North America 17.85% of BSG North America 26.22% of Sally International 30.05% of BSG International (weighted 20%)
Mr. Gollhofer and Mr. Spinks	\$1.496 billion of BSG (weighted 30%)	\$255.7 million of BSG (weighted 50%)	19.56% of BSG Canada 17.70% of BSG USA 30.05% of BSG International (weighted 20%)

(1) Based on consolidated results, except as noted.

As noted above, if we achieve target-level financial performance, the executives are eligible to earn 100% of their target AIP bonus awards. Financial performance at below-target levels (subject to a threshold of 96.1% of target performance for each metric) would result in awards as low as approximately 2.5% of the target award, except that, as discussed below, the Compensation Committee has discretion to reduce or increase the dollar value of an individual officer's AIP award based upon a subjective assessment of the individual's performance. The named executive officers were eligible to earn bonuses in excess of the target awards (up to the AIP maximum awards stated above) to the extent that performance against the financial goals exceeded target performance. AIP maximum awards could be earned if:

we, or the applicable business unit, had achieved 104% or greater (domestically) or 108% or greater (internationally) of the target amount of sales for fiscal 2015,

we, or the applicable business unit, had achieved 108% or greater of the target amount of adjusted EBITDA for fiscal 2015, and

with respect to Messrs. Brickman, Winterhalter, Flaherty and Haltom, one or more of the following had occurred: Sally North America's working capital as a percentage of sales for fiscal 2015 had been 14.88% or below, BSG North America's working capital as a percentage of sales for fiscal 2015 had been 17.85% or below, Sally International's working capital as a percentage of sales for fiscal 2015 had been 26.22% or below or BSG International's working capital as a percentage of sales for fiscal 2015 had been 30.05% or below, or with respect to Mr. Gollhofer and Mr. Spinks, one or more of the following had occurred: BSG Canada's working capital as a percentage of sales for fiscal 2015 had been 19.56% or below, BSG USA's

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working capital as a percentage of sales for fiscal 2015 had been 17.70% or below, or BSG International's working capital as a percentage of sales for fiscal 2015 had been 30.05% or below.

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When performance for a given financial metric exceeds target, the payout between target and maximum award opportunity for that metric is determined by straight-line interpolation. For example, based on the following chart, sales performance of 102.38% of target would translate into a payout percentage of 159.50%. If the sales component is weighted at 30% of the bonus opportunity, the weighted payout for that metric would equate to 47.85% of the total target bonus opportunity for that participant:

Sales target

Objective	Payout Percentage
104% or above	200%
103%	175%
102%	150%
101%	125%
100%	100%
99%	75%
98%	50%
97%	25%
96% or below	0%

Individual Performance. In order to provide flexibility to recognize overall achievements in key focus areas and operational performance, which can change throughout the year based on unanticipated contingencies, the Compensation Committee does not list specific individual performance objectives for individual officers under the AIP. Instead, the Compensation Committee has the ability to use its qualitative judgment to reduce or increase the dollar value of an individual officer's AIP award (by up to 50 percentage points below or above the percentage of the target award resulting from application of the financial performance formulas) based upon a subjective assessment of the individual's performance, but the adjusted payout cannot exceed the Section 162(m) maximum award for such individual.

Determination of Fiscal 2015 Awards. In its September and October 2015 meetings, the Compensation Committee reviewed the 2015 fiscal year business results and determined whether and to what extent the AIP criteria were met. During this review, the Compensation Committee met with Mr. Brickman to discuss his performance reviews of the other named executive officers and with the Lead Independent Director of the Board to discuss the Board's review of Mr. Brickman (without Mr. Brickman being present). Pursuant to Mr. Brickman's offer letter, as part of his sign-on package, 50% of his target annual bonus opportunity was guaranteed. The Compensation Committee did not adjust AIP payouts for individual performance for any of the named executive officers for fiscal 2015.

The amounts by which the financial performance targets under the AIP were achieved for each metric, and the resulting payout factors, are illustrated in the following table. The amounts by which

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the financial performance targets under the AIP were achieved for each metric, and the resulting payout factors, are illustrated in the following table.*

	Sales		Adjusted EBITDA		Working Capital		Aggregate Payout	
	Weighted Achievement %	Weighted Payout %	Weighted Achievement %	Weighted Payout %	Weighted Achievement %	Weighted Payout %	As % of Target Bonus	As % of Base Salary
Mr. Brickman	99.63%	23.11%	96.35%	17.00%	100.18%	13.19%	53.30%	53%
Mr. Brickman	99.63%	23.11%	96.35%	17.00%	100.18%	13.19%	53.30%	43%
Mr. Winterhalter	99.63%	23.11%	96.35%	17.00%	100.18%	13.19%	53.30%	53%
Mr. Flaherty	99.63%	23.11%	96.35%	17.00%	100.18%	13.19%	53.30%	32%
Mr. Gollhofer	101.40%	39.29%	102.22%	62.73%	99.02%	1.70%	103.72%	62%
Mr. Haltom	99.63%	23.11%	96.35%	17.00%	100.18%	13.19%	53.30%	32%
Mr. Spinks	101.40%	39.29%	102.22%	62.73%	99.02%	1.70%	103.72%	62%
Mr. Spinks	101.40%	39.29%	102.22%	62.73%	99.02%	1.70%	103.72%	57%

The table below shows the payout opportunities and actual payouts under the AIP for the named executive officers* for fiscal 2015:

	AIP Target as a % of Salary	AIP Target Award (\$)	FY15 Actual AIP Award (\$)	AIP Actual Award as a % of Salary
Mr. Brickman	100%	629,863	335,717	53%
Mr. Brickman	80%	177,929	94,836	43%
Mr. Winterhalter	100%	1,000,000	533,000	53%
Mr. Flaherty	60%	298,547	159,126	32%
Mr. Gollhofer	60%	293,128	304,033	62%
Mr. Haltom	60%	238,668	127,210	32%
Mr. Spinks	60%	38,219	39,641	62%
Mr. Spinks	55%	136,973	142,068	57%

*

reflects payouts at different percentages prior to promotion as described herein

Equity-Based Long-Term Incentive Compensation

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Historically, our named executive officers received their regular annual long-term incentive award in the form of stock options, with restricted stock awards reserved for limited purposes. For fiscal 2015, however, with the exception of Mr. Winterhalter, each of our named executive officers received a mix of stock options ($2/3$) and restricted stock ($1/3$). Mr. Winterhalter received one-half of his award in the form of stock options and one-half in the form of restricted stock in connection with his negotiated transition agreement. The Compensation Committee changed the structure of the long-term incentive awards in order to foster retention during our management transition period with the addition of the restricted stock grants, as well as to begin the transition to a performance share program for fiscal year 2016, as described later in this Compensation Discussion and Analysis. Because the benefits of stock options are dependent on the appreciation of the price of our Common Stock, such awards create a strong financial incentive for meeting or exceeding our long-term financial goals and increasing stockholder return. In addition, the options become exercisable in increments over a three-year term, requiring our executives to remain employed for a significant period in order to realize any value for their options. Restricted stock awards increase in value as our stock price appreciates, while also enhancing retention. The Compensation Committee evaluates whether this component of our compensation program is appropriate given our capital structure and evolving business strategy (as

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discussed with Cook) given the goal of providing assurance that our equity program properly motivates and retains our key employees.

Grant Practices for Equity-Based Awards. The Compensation Committee's policy is to grant equity awards on the same day it approves the grant. Options have an exercise price equal to the closing price of our Common Stock on the date of grant. Other than special one-time grants, such as at the time of a new hire or promotion, the Compensation Committee intends to grant equity awards to its executive officers once a year, and such grants will generally be made at the same time that the Compensation Committee approves the annual bonus award targets under the annual bonus plan for the fiscal year. These actions will generally occur within the first month of the fiscal year. Equity grants are currently made under the 2010 Omnibus Plan.

Our SVP and Chief Human Resources Officer recommends to our Chief Executive Officer the number of options or other equity awards to be granted to certain key employees using a value concept based upon Adjusted EBITDA growth, as well as consideration of each individual's rate of base salary and the dollar value of the proposed award as a percentage of base salary and market value. Our Chief Executive Officer then makes a grant recommendation for each of the proposed grantees, including the named executive officers other than himself, to the Compensation Committee based on consideration of the value of the grants that the individual received in prior years, the competitive market data provided by Cook and his views as to the individual's expected future contribution to our business results. The Chairman of the Compensation Committee of the Board of Directors recommends to the Compensation Committee the Chief Executive Officer's proposed equity grant based on his review of competitive market data provided by Cook. For fiscal year 2015, Mr. Brickman's long-term incentive award had a grant date target value equal to 75% of the grant date value of the long-term incentive award granted to Mr. Winterhalter in the ordinary course in his capacity as Chief Executive Officer, as provided in Mr. Brickman's offer letter. The Compensation Committee is ultimately responsible for determining the number of options or shares to be awarded and for approving each grant. In making this determination, the Compensation Committee considers the recommendations of the Chief Executive Officer, the long-term incentive opportunity market data provided by Cook, and the competitive data provided by Cook regarding aggregate share usage and costs associated with equity grants.

Fiscal 2015 Equity Awards. Consistent with its equity grant policy, in October 2014, the Compensation Committee granted stock options and shares of restricted stock to each of our named executive officers. In addition, Mr. Spinks received a grant of shares of restricted stock in July 2015 in connection with his promotion.

The Compensation Committee sets an aggregate long-term incentive budget to determine the total amount of equity awards that may be awarded in any fiscal year. The Compensation Committee determines the budget after discussions with Cook and management and a review of peer group practices, evaluation of prior year performance and the projected impact to our net income. Based upon input received from Cook, the Compensation Committee believes that the terms and conditions of the 2015 equity awards, as well as the size of the grants, were within the range of peer group practice.

For more information regarding the equity-based awards granted to our named executive officers during fiscal 2015, please see the "Grants of Plan-Based Awards For Fiscal 2015" table on page 45 of this Proxy Statement.

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Benefits and Perquisites

Our named executive officers are eligible to participate in the benefit plans generally available to all of our U.S. employees, which include health, dental, life insurance, and disability plans. In addition, our named executive officers (along with our other U.S. employees) are eligible to participate in our 401(k) plan, which represents the only retirement plan that we provide to our named executive officers. Under the 401(k) plan, our employees may contribute, on a pre-tax basis, up to 50% of eligible compensation, subject to Internal Revenue Code limitations. We match each employee's contribution, including our named executive officers, at a rate of 100% on the first 4% of the employee's eligible compensation. Employees are immediately vested in the matching contributions made by us. Our 401(k) plan also has a profit sharing component, which is 100% funded by us and is determined annually by the Compensation Committee. Employees are vested in our profit sharing contributions after 3 full years of employment. For fiscal 2015, the Compensation Committee reviewed the contributions of our employees to our financial performance and determined that a company contribution of approximately 1% of eligible compensation was an appropriate profit-sharing contribution.

Consistent with our philosophy of emphasizing performance-based pay, our executive compensation program provides limited benefits and perquisites. All perquisites for executive officers must be approved by the Compensation Committee.

The Compensation Committee believes that offering the above-described benefits and perquisites to our named executive officers is consistent with the terms and benefits offered by other similarly-situated public companies, and enhances our ability to retain our named executive officers. Given the fact that these items represent a relatively insignificant portion of our named executive officers' total compensation, the availability of such items does not materially influence the decisions made by the Compensation Committee with respect to the other elements of the total compensation payable to our named executive officers.

Post-Termination Benefits

Change-in-Control Agreements. Many change-in-control transactions result in significant organizational changes, particularly at the senior executive level. In order to encourage our senior executive officers to remain employed with the Corporation during an important time when their prospects for continued employment can be uncertain, we have entered into change-in-control agreements only with our senior executive officers, Messrs. Winterhalter, Brickman, Flaherty, Golliher, Haltom, Spinks and Walker, which provide payments and benefits in the event of the executive's termination of employment by the Corporation without cause or by the executive for "good reason" within two years following a change in control. Because a termination by the executive for good reason is effectively a "constructive termination" by the Corporation without cause, we believe it is appropriate to provide severance benefits in these circumstances. The Compensation Committee has determined that our change-in-control agreements were generally consistent with those in place at similarly-situated public companies, were designed to keep our executives focused on their work responsibilities during the uncertainty that accompanies a potential change-in-control, and (consistent with the recommendation of our Chief Executive Officer) were necessary to retain and recruit our senior executives. The Compensation Committee also deemed it important from a retention perspective to treat all of the named executive officers similarly with respect to their change-in-control arrangements,

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except that on October 29, 2012, Mr. Winterhalter's agreement was amended so that the Corporation's medical and dental insurance will remain available to him until his eligibility for Medicare in the event of his termination without cause or for good reason or his retirement, with the Board's approval, within two years after a change in control. As a result of Mr. Winterhalter's scheduled retirement on February 2, 2016, his severance agreement will terminate on that date according to its terms.

Treatment of Equity Awards upon Change in Control. Under the terms of our Sally Beauty Holdings, Inc. 2007 Omnibus Incentive Plan (the "2007 Omnibus Plan") and our 2010 Omnibus Plan, stock option and restricted stock awards have "double trigger" change-in-control vesting if the awards are assumed by the surviving company and equitably converted to awards for publicly traded stock in connection with such transaction. This means that the awards would vest upon the holder's involuntary separation from service within two years following the change in control, or such other period specified by the Compensation Committee. If the awards are not assumed by the surviving company and equitably converted, they would vest upon the change in control. This vesting approach aids in our ability to retain key executives during the critical time leading up to and following a change in control.

Transition Agreement with Mr. Winterhalter. On April 25, 2014, we entered into a transition agreement with Mr. Winterhalter to provide for an orderly transition of duties, responsibilities and authority from Mr. Winterhalter to our new Chief Executive Officer, Mr. Brickman, and to set forth the compensation arrangement between us and Mr. Winterhalter during and as a result of this transition period. The Compensation Committee deemed it important to provide these severance benefits in order to encourage retention during an important transition period. The transition agreement, which provides for certain severance benefits upon involuntary termination in situations that do not involve a change of control, will be terminated on February 2, 2016 pursuant to its terms, as a result of Mr. Winterhalter's decision to retire on that date.

In connection with his retirement, the Corporation has agreed that Mr. Winterhalter will receive the severance and group medical benefits that he would have been entitled to receive in the event of a termination by the Corporation without cause in fiscal year 2016. Under this arrangement, Mr. Winterhalter will (a) receive a lump sum payment equal to the balance of his base salary that would have been paid to him for the remainder of fiscal year 2016, (b) be eligible to receive an annual bonus for fiscal year 2016 equal to the bonus, if any, that would have been earned by him if he had remained employed on the normal payment date of such bonus, based on actual performance under applicable financial metrics and (c) be provided with certain medical and dental coverage benefits until he is eligible for Medicare. In addition, the Corporation will reimburse Mr. Winterhalter up to a maximum of \$30,000 for reasonable legal fees and related expenses incurred by him in connection with the review of his retirement arrangement.

Material Changes in 2016 Compensation Program

In October 2015, the Compensation Committee approved a new long-term incentive program, pursuant to which employees at the Vice President level and above received a significant portion (33%) of their fiscal 2016 equity-based compensation in the form of performance-based restricted stock units (PBRsUs) and the remaining portion in the form of time-based stock options (67%). The PBRsUs are eligible to vest following the conclusion of a three-year performance period based on the level of achievement of goals related to sales growth and return on invested capital (ROIC) over such three-year period. The Compensation Committee established threshold, target and maximum performance levels for both sales growth and ROIC, where achievement at the threshold, target and maximum performance level results in 50%, 100% and 200% , respectively, of the PBRsUs becoming vested. The stock options vest ratably over the three year period beginning September 30, 2016.

Table of Contents**Stock Ownership and Retention Guidelines**

Consistent with our commitment to aligning the interests of our executives with stockholders, the Nominating and Corporate Governance Committee of our Board of Directors has adopted stock ownership guidelines which apply to our executives at the vice president level and above. Pursuant to these guidelines, executives are encouraged to own shares of our Common Stock generally equal in value to a multiple of their annual base salary (as in effect on December 1st of each year) depending on such executive's level in the Corporation. Vested stock options count towards the grantee's stock ownership totals, with each option counting as one share of stock owned. Unvested stock options and restricted shares (stock for which restrictions have not lapsed) do not count as stock owned under the guidelines. The executive officer stock ownership guidelines, as applicable to the named executive officers, are as follows:

Chief Executive Officer	Five times annual base salary
Senior Vice Presidents	Three times annual base salary
Vice Presidents	One time annual base salary

Until such time as the officer reaches his or her equity ownership guideline, the officer will be required to retain that percentage of the shares of Common Stock received upon lapse of the restrictions upon restricted stock and upon exercise of stock options (net of any shares utilized to pay for the exercise price of the option and tax withholding) as set forth below:

Retention Requirement

Chief Executive Officer	100%
Senior Vice Presidents	50%
Vice Presidents	50%

Because officers must retain a percentage of shares resulting from any exercise of stock options or the lapsing of restrictions upon restricted stock until they achieve the specified guidelines, there is no minimum time period required to achieve the equity ownership guidelines set forth above. As of December 4, 2015, all of our executive officers were in compliance with our equity ownership guidelines (other than Mr. Winterhalter who, per the executive management transition plan, transitioned to the role of Executive Chairman on February 1, 2015).

The Compensation Committee may in the future consider an executive's achievement of the guideline stock ownership targets in its award of further equity grants.

Beginning in fiscal year 2013, we instituted stock ownership and retention guidelines for our independent directors, as further described on page 21 of this Proxy Statement.

Use of Pre-Approved Trading Plans

We permit our executive officers and Directors to enter into pre-approved trading plans established according to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, with an independent broker-dealer to enable them to either a) purchase securities; or b) to recognize the value of their compensation and diversify their holdings of our securities during periods in which they might otherwise not be able to buy or sell our stock because important information about us has not been publicly released. These plans include specific instructions for the broker to exercise options or purchase or sell stock on behalf of the plan participant if our stock price reaches a specified level or certain events occur. The plan participant no longer controls the decision to purchase, exercise or sell the securities in the plan. Generally, when our executive officers trade under these plans they are publicly disclosed in Section 16 filings with the SEC. Five of our named executive officers

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(Messrs. Winterhalter, Flaherty, Spinks and Haltom) had Rule 10b5-1 sale plans in place during fiscal 2015.

Policy Against Margin Trading, Pledging or Hedging Company Stock

Certain forms of margin trading, pledging, hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow a director, officer or other employee to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the person to continue to own the covered securities but without the full risks and rewards of ownership. When that occurs, he or she may no longer have the same objectives as the Corporation's other stockholders. Therefore, pursuant to our published insider trading policy, our directors, officers and other employees are prohibited from engaging in any such transactions.

Deductibility of Compensation

Section 162(m) of the Internal Revenue Code limits the deductibility for federal income tax purposes of compensation paid to our named executive officers (other than our Chief Financial Officer). Under Section 162(m), compensation paid to each of these officers in excess of \$1,000,000 per year is deductible by us only if it is "performance-based." The Compensation Committee believes that tax deductibility of compensation is an important consideration in establishing our executives' compensation. For example, the 2010 Omnibus Plan is designed to allow the Compensation Committee to grant awards that may qualify for the performance-based compensation exemption from Section 162(m), such as stock options, and the AIP, as a subplan of the 2010 Omnibus Plan, also allows annual cash incentive awards that may qualify as performance-based compensation. A number of requirements must be met for particular compensation to so qualify, however, so there can be no assurance that any compensation awarded will be fully deductible under all circumstances. Also, with the goal of providing a compensation program that enhances stockholder value, the Compensation Committee reserves flexibility to approve compensation arrangements that are not fully tax deductible by us.

Consideration of Most Recent Advisory Stockholder Vote on Executive Compensation

At the annual meeting of stockholders on January 28, 2011, our stockholders expressed a preference that advisory votes on executive compensation occur every three years. In accordance with the results of this vote, the Board determined to implement an advisory vote on executive compensation every three years until the next required vote on the frequency of stockholder votes on the compensation of executives, which is scheduled to occur at the 2017 annual meeting. Therefore, an advisory vote on executive compensation was held at the 2014 annual meeting and 99% of the shares voted were cast in support of the compensation of the Corporation's named executive officers. The Compensation Committee appreciates and values the views of our stockholders. As part of its compensation review, the Compensation Committee considered both the results of the 2014 advisory vote on executive compensation and feedback from our stockholders, and concluded that the compensation paid to our executive officers and the Corporation's overall executive pay practices have strong stockholder support and have been effective in implementing the Corporation's stated compensation philosophy and objectives. The Compensation Committee recognizes that executive pay practices and notions of sound governance principles continue to evolve. Consequently, the Compensation Committee intends to continue paying close attention to the advice and counsel of its compensation advisors and invites our stockholders to communicate any concerns or opinions on executive pay directly to the Compensation Committee or the Board. Please refer to "Stockholder Director Communications" on page 13 for information about communicating with the Board.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K included in this Proxy Statement. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee

Edward W. Rabin (Chair)
Katherine Button Bell
Marshall E. Eisenberg
Susan R. Mulder

The foregoing report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Corporation under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table contains compensation information for our named executive officers. The information included in this table reflects compensation earned by the named executive officers for services rendered to us for the years ended September 30, 2015, September 30, 2014 and September 30, 2013.

SUMMARY COMPENSATION TABLE

Name and Principal Position(1)	Year	Salary (\$)	Stock Awards \$(2)	Option Awards \$(3)	Non-Equity Incentive	All Other Compensation \$(5)	Total (\$)
					Plan Compensation (4)(\$)		
Gary G. Winterhalter Executive Chairman(10)	2015	1,000,000	1,424,960	1,425,147	533,200	14,291	4,397,398
	2014	1,000,000	3,499,957	3,283,989	388,800	23,346	8,196,092
	2013	997,077	1,084,064	3,387,480	441,379	13,904	5,923,904
Christian A. Brickman President and Chief Executive Officer(6)	2015	844,038	712,480	1,425,147	430,553	6,638	3,418,856
	2014	250,327(7)	2,199,902	1,099,499		262,315	3,812,043
Mark J. Flaherty Senior Vice President and Chief Financial Officer	2015	496,923	458,440	566,712	159,126	14,374	1,695,575
	2014	473,822		979,535	110,622	13,928	1,577,907
	2013	458,320	350,001	1,029,749	121,733	13,780	1,973,583
John R. Gollhofer Former President, Beauty Systems Group LLC(8)	2015	488,154	575,240	566,712	304,033	20,201	1,954,340
	2014	473,822		979,535	246,538	7,351	1,707,246
	2013	458,320	350,001	1,029,749	401,886	13,780	2,253,736
Matthew O. Haltom Senior Vice President, General Counsel and Secretary	2015	396,539	325,171	300,003	127,210	14,170	1,163,093
	2014	352,308		523,173	82,389	13,465	971,335
	2013	313,564	168,071	549,630	83,705	13,532	1,128,502
Mark G. Spinks President, Beauty Systems Group(9)	2015	304,615	249,770	300,003	181,709	16,248	1,052,345

(1) Reflects principal positions held as of September 30, 2015.

(2) Reflects the grant date fair value of the stock awards, determined in accordance with ASC 718 and based on the fair market value of the underlying shares on the date of grant. With the exception of Messrs. Brickman and Winterhalter, none of our named executive officers received any stock awards in fiscal year 2014. For Mr. Brickman, fiscal year 2014 includes the grant date fair value of the restricted stock units granted to him on October 30, 2013 in connection with his service as an independent director on our Board of Directors prior to his appointment to the position of President and Chief Operating Officer of the Corporation (\$99,993).

(3) Reflects the grant date fair value of the option awards, determined in accordance with ASC 718. The assumptions used in the calculation of the grant date fair values of the option awards are included in Note 7 to our audited financial statements for the fiscal year ended September 30, 2015, included in our Form 10-K filed with the SEC on November 12, 2015.

(4)

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The amounts reported reflect annual incentive awards earned for our 2015 fiscal year under the AIP. For information regarding the AIP, which is a sub-plan of the 2010 Omnibus Plan, please see "*Compensation Discussion and Analysis - Compensation Components for Fiscal 2015 - Annual Cash Incentive Bonus*" on pages 32-36.

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- (5) Amounts reported as "All Other Compensation" for our 2015 fiscal year include the following:

	Company Matching Contributions to 401(k) and Profit Sharing Plan (\$)	Life Insurance Premiums (\$)	Relocation Expense (\$)	Total (\$)
Gary G. Winterhalter	13,103	1,188		14,291
Christian A. Brickman	5,846	792		6,638
Mark J. Flaherty	13,391	983		14,374
John R. Gollither	19,234	967		20,201
Matthew O. Haltom	13,388	782		14,170
Mark G. Spinks	15,473	581	194	16,248

Perquisites and other personal benefits provided to each of the other named executive officers had an aggregate incremental cost of less than \$10,000 and accordingly have been omitted from the table in accordance with SEC rules. For information regarding perquisites, please see "*Compensation Discussion and Analysis – Compensation Components for Fiscal 2015 Benefits and Perquisites.*"

- (6) Mr. Brickman assumed the role of President and Chief Operating Officer of the Corporation on June 2, 2014 and was not a named executive officer in fiscal year 2013.
- (7) Includes \$47,250 in fees received for his service as an independent director on our Board of Directors through April 25, 2014.
- (8) Mr. Gollither served as President of Beauty Systems Group LLC until July 31, 2015 and as a director of the Corporation until October 1, 2015. He then assumed a consulting role for an additional two years.
- (9) Mr. Spinks assumed the role of President of Beauty Systems Group on July 31, 2015 and was not a named executive officer in fiscal years 2014 and 2013.
- (10) Mr. Winterhalter will retire from the Board and the Corporation as of February 2, 2016.

Table of Contents**GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2015**

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards (\$ / Sh) (4)	Grant Date of Stock and Option Awards (\$) (5)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Gary G. Winterhalter		25,000	1,000,000	4,953,259				
	10/29/2014					162,484	29.20	1,425,147
Christian A. Brickman	10/29/2014	20,195	807,792	4,953,259		162,484	29.20	1,425,147
	10/29/2014				24,400			712,480
Mark J. Flaherty		7,464	298,547	2,476,630				
	10/29/2014				15,700	64,612	29.20	566,712
John R. Golliher	10/29/2014	7,328	293,128	2,476,630		64,612	29.20	566,712
	10/29/2014				19,700			575,240
Matthew O. Haltom								