

CEC ENTERTAINMENT INC
Form DEF 14A
March 19, 2012
Table of Contents

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under § 240.14a-12

CEC ENTERTAINMENT, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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Table of Contents

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

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(3) Filing Party:

(4) Date Filed:

Table of Contents

CEC ENTERTAINMENT, INC.

4441 West Airport Freeway

Irving, Texas 75062

(972) 258-8507

March 19, 2012

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of CEC Entertainment, Inc. to be held at 8:00 a.m., Central time, on Tuesday, May 1, 2012, at Chuck E. Cheese's, 3903 West Airport Freeway, Irving, Texas 75062. At the annual meeting you will be asked to (1) elect Richard M. Frank, General (ret) Tommy Franks, Tim T. Morris, Louis P. Neeb, Cynthia Pharr Lee and Raymond E. Wooldridge as directors to serve for a term of one year, (2) consider an advisory vote on the compensation of our named executive officers as disclosed in these materials, (3) re-approve the performance goals under our Incentive Bonus Plan for compliance with Internal Revenue Code Section 162(m), (4) re-approve the performance goals under our 2004 Restricted Stock Plan for compliance with Internal Revenue Code Section 162(m), (5) ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the 2012 fiscal year and (6) transact such other business as may properly come before the annual meeting or any adjournments or postponements of the annual meeting.

The formal notice of the annual meeting of stockholders and proxy statement accompanying this letter provide detailed information concerning matters to be considered and acted upon at the meeting.

Your vote is important. We urge you to vote as soon as possible, whether or not you plan to attend the annual meeting. You may submit your proxy vote by telephone or Internet as described in the following materials or, if you request that proxy materials be mailed to you, by completing and signing the proxy card enclosed with those materials and returning it in the envelope provided. Voting over the Internet, by telephone or by written proxy will ensure that you are represented at the annual meeting if you do not attend in person. If you decide to attend the meeting and wish to change your proxy vote, you may do so by voting in person at the meeting in accordance with the procedures set forth in the proxy statement.

Thank you for your continued support of and interest in CEC Entertainment, Inc. We look forward to seeing you at the annual meeting and discussing the business of your company with you.

Sincerely,
/s/ MICHAEL H. MAGUSIAK
MICHAEL H. MAGUSIAK
President and Chief Executive Officer

/s/ RICHARD M. FRANK
RICHARD M. FRANK
Executive Chairman

Table of Contents

CEC ENTERTAINMENT, INC.

4441 West Airport Freeway

Irving, Texas 75062

(972) 258-8507

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

OF CEC ENTERTAINMENT, INC.

Time and Date: 8:00 a.m., Central time, on Tuesday, May 1, 2012

Place: Chuck E. Cheese s, 3903 West Airport Freeway, Irving, Texas 75062

Purposes: At the annual meeting of CEC Entertainment, Inc. (the Company), stockholders will be asked to:

- (1) elect Richard M. Frank, General (ret) Tommy Franks, Tim T. Morris, Louis P. Neeb, Cynthia Pharr Lee and Raymond E. Wooldridge as directors to serve for a term of one year;
- (2) consider an advisory vote on the compensation of our named executive officers as disclosed in these materials;
- (3) re-approve the performance goals under our Incentive Bonus Plan for compliance with Internal Revenue Code Section 162(m);
- (4) re-approve the performance goals under our 2004 Restricted Stock Plan for compliance with Internal Revenue Code Section 162(m);
- (5) ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the 2012 fiscal year; and
- (6) transact such other business as may properly come before the annual meeting or any adjournments or postponements of the annual meeting.

Adjournments and Any action on the items of business described above may be considered at the annual meeting at the time and on the date specified above or at any time and date to which the annual meeting may be properly adjourned or

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Postponements:

postponed.

Record Date:

Stockholders of record at the close of business on March 5, 2012, the record date, are entitled to notice of, and to vote at, the annual meeting, and any adjournments or postponements thereof.

Eligible Voters:

A list of the stockholders entitled to vote at the annual meeting will be open for examination by any stockholder, for any purpose germane to the annual meeting, during ordinary business hours, for a period of ten (10) days prior to the meeting, at the Company's principal executive office located at 4441 West Airport Freeway, Irving, Texas 75062. The list shall also be available for examination during the annual meeting by any stockholder who is present at the meeting.

Table of Contents

Notice Regarding the Availability of Proxy Materials:

In accordance with the rules of the United States Securities and Exchange Commission that allow companies to furnish their proxy materials over the Internet, we are mailing a Notice Regarding the Availability of Proxy Materials instead of a paper copy of our proxy statement and our 2011 annual report to most of our stockholders. The Notice Regarding the Availability of Proxy Materials contains instructions on how to access those documents and vote over the Internet.

The Notice Regarding the Availability of Proxy Materials also contains instructions on how to request a paper copy of our proxy materials, including our proxy statement, our 2011 annual report and a form of proxy card or voting instruction card. All stockholders who do not receive a Notice Regarding the Availability of Proxy Materials will receive paper copies of the proxy materials by mail. We believe this process allows us to provide our stockholders the information they need in a more timely manner, while reducing the environmental impact and lowering our costs of printing and delivering the proxy materials.

If you received a paper copy of a proxy card or voting instruction card by mail, you may vote by completing, signing, dating and returning your proxy card or voting instruction card in the envelope provided. You may also vote by telephone at 1-800-690-6903 or via the Internet at <http://www.proxyvote.com> using the control number shown on your proxy card or voting instruction card. Any stockholder attending the annual meeting may vote in person in accordance with the procedures set forth in the proxy statement. If you have returned a proxy card or voting instruction card or otherwise voted, you may revoke your prior instructions and cast your vote at the annual meeting by following the procedures described in the proxy statement.

March 19, 2012

By order of the Board of Directors,

/s/ MEREDITH W. BJORCK

MEREDITH W. BJORCK
Secretary

Table of Contents

**PROXY STATEMENT FOR THE
ANNUAL MEETING OF STOCKHOLDERS OF
CEC ENTERTAINMENT, INC.
TO BE HELD ON MAY 1, 2012
TABLE OF CONTENTS**

	Page
<u>General Information</u>	1
<u>Voting Information</u>	2
<u>Proposal 1: Election of Directors</u>	9
<u>Corporate Governance</u>	10
<u>Additional Information Regarding the Executive Officers</u>	17
<u>Business Experience of Executive Officers and Directors</u>	18
<u>Meetings and Committees of the Board of Directors</u>	21
<u>Compensation Discussion and Analysis</u>	27
<u>Compensation Committee Report</u>	38
<u>Executive Compensation</u>	39
<u>Summary Compensation Table</u>	39
<u>All Other Compensation in Fiscal 2011</u>	41
<u>Grants of Plan-Based Awards in Fiscal 2011</u>	42
<u>Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in Fiscal 2011 Table</u>	44
<u>Outstanding Equity Awards at 2011 Fiscal Year-End</u>	46
<u>Option Exercises and Stock Vested in Fiscal 2011</u>	47
<u>Non-Qualified Deferred Compensation</u>	48
<u>Equity Compensation Plan Information</u>	49
<u>Potential Payments upon Termination or Change-in-Control</u>	51
<u>Proposal 2: Advisory Vote on Executive Compensation</u>	56
<u>Proposal 3: Re-approval of the Performance Goals Under Our Incentive Bonus Plan for Compliance with Internal Revenue Code Section 162(m)</u>	57
<u>Proposal 4: Re-approval of the Performance Goals Under Our 2004 Restricted Stock Plan for Compliance with Internal Revenue Code Section 162(m)</u>	60
<u>Director Compensation</u>	64
<u>Security Ownership</u>	66
<u>Proposal 5: Ratification of the Appointment of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm for the 2012 Fiscal Year</u>	68
<u>Audit Committee Disclosure</u>	69

Table of Contents

	Page
<u>Audit Committee Report</u>	71
<u>Certain Relationships and Related Transactions</u>	73
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	74
<u>Householding of Stockholder Materials</u>	74
<u>Stockholder Proposals for the 2013 Annual Meeting of Stockholders</u>	75
<u>Other Matters</u>	75
ANNEX A <u>INCENTIVE BONUS PLAN</u>	
ANNEX B <u>THIRD AMENDED AND RESTATED 2004 RESTRICTED STOCK PLAN</u>	

Table of Contents

CEC ENTERTAINMENT, INC.

4441 WEST AIRPORT FREEWAY

IRVING, TEXAS 75062

(972) 258-8507

PROXY STATEMENT

GENERAL INFORMATION

This proxy statement is furnished to stockholders of CEC Entertainment, Inc., a Kansas corporation (the "Company"), in connection with the solicitation of proxies by our Board of Directors for use at the annual meeting of stockholders to be held at 8:00 a.m., Central time, on May 1, 2012 at the Chuck E. Cheese's located at 3903 West Airport Freeway, Irving, Texas 75062. The term "Company" when used in this proxy statement refers to CEC Entertainment, Inc. but may also, as the context may require, refer to CEC Entertainment, Inc. and its subsidiaries. In this proxy statement, we may also refer to the Company as "CEC," "we," "our" or "us."

We invite you to attend the meeting in person and if you need special assistance at the meeting or directions to the meeting place, you may contact our Secretary, Meredith W. Bjorck, by writing her at 4441 West Airport Freeway, Irving, Texas 75062, by telephone at (972) 258-5499 or by email at mbjorck@cecentertainment.com.

Under rules adopted by the United States Securities and Exchange Commission, we have chosen to provide our stockholders with the choice of accessing the 2012 annual meeting proxy materials over the Internet, rather than receiving printed copies of the materials through the mail. A Notice Regarding the Availability of Proxy Materials is being mailed to our stockholders who have not previously requested electronic access to our proxy materials or paper proxy materials. The notice contains instructions on how you may access and review our proxy materials on the Internet and how you may vote your shares over the Internet. The notice will also tell you how to request our proxy materials in printed form or by email, at no charge. The notice contains a 12-digit control number that you will need to vote your shares. If you received the notice, please keep the notice for your reference through the meeting date.

We anticipate that the Notice Regarding the Availability of Proxy Materials and any paper proxy materials previously requested will be mailed to stockholders beginning on or about March 19, 2012.

Table of Contents

VOTING INFORMATION

Q: What items of business will be voted on at the annual meeting?

A: The items of business scheduled to be voted on at the annual meeting are:

1. to elect Richard M. Frank, General (ret) Tommy Franks, Tim T. Morris, Louis P. Neeb, Cynthia Pharr Lee and Raymond E. Wooldridge as directors to serve for a term of one year;
2. to consider an advisory vote on the compensation of our named executive officers as disclosed in these materials;
3. re-approve the performance goals under our Incentive Bonus Plan for compliance with Internal Revenue Code Section 162(m);
4. re-approve the performance goals under our 2004 Restricted Stock Plan for compliance with Internal Revenue Code Section 162(m);
5. to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the 2012 fiscal year; and
6. to transact such other business as may properly come before the annual meeting or any adjournments or postponements of the annual meeting.

Q: How does the Board of Directors recommend that I vote?

A: Our Board of Directors recommends that you vote your shares:

1. **FOR** each of the director nominees named in this proxy statement;
2. **FOR** the approval, on an advisory basis, of the compensation of our named executive officers as disclosed in these materials;
3. **FOR** the re-approval of the performance goals under our Incentive Bonus Plan for compliance with Internal Revenue Code Section 162(m);
4. **FOR** the re-approval of the performance goals under our 2004 Restricted Stock Plan for compliance with Internal Revenue Code Section 162(m); and
5. **FOR** the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the 2012 fiscal year.

Q: What shares can I vote?

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A: You may vote all shares owned by you as of the close of business on the record date, March 5, 2012, including (1) shares held directly in your name as the stockholder of record and (2) shares held for you as the beneficial owner through a broker, bank or other nominee (by instructing the broker, bank or nominee). The record date for stockholders entitled to notice of, and to vote at the annual meeting is March 5, 2012. At the close of business on the record date, the Company had issued and

Table of Contents

outstanding 18,085,198 shares of common stock, \$0.10 par value. No other class of securities of the Company is authorized or entitled to notice of, or to vote at, the annual meeting. You are entitled to one vote for each share of common stock owned by you at the close of business on the record date.

Q: How can I vote?

A: You can vote by telephone, by Internet, by mail (if you have requested paper copies of the proxy materials) or at the annual meeting, as described below. We encourage you to vote promptly. Internet and telephone voting is available from the time of mailing the Notice Regarding the Availability of Proxy Materials through 11:59 p.m., Eastern Time on Monday, April 30, 2012. You may vote in any of the following ways:

By Telephone. You have the option to vote your shares by telephone. In order to vote your shares by telephone, please go to <http://www.proxyvote.com> and log in using the 12-digit control number provided on your Notice Regarding the Availability of Proxy Materials. You will be provided with a telephone number for voting at that site. Alternatively, if you request paper copies of the proxy materials, your proxy card will have a toll-free telephone number and 12-digit control number that you may use to vote your shares. When you vote by telephone, you will be required to enter your 12-digit control number, so please have it available when you call. You may vote by telephone 24 hours a day. The telephone voting system has easy-to-follow instructions and allows you to confirm that the system has properly recorded your votes. If you hold your shares in street name, please follow the telephone voting instructions you receive from your broker, bank or other nominee.

By Internet. You can also vote your shares by the Internet. The Notice Regarding the Availability of Proxy Materials indicates the Web site you may access for Internet voting using the 12-digit control number included in the notice. Alternatively, if you request paper copies of the proxy materials, your proxy card will indicate the Web site you may access for Internet voting using the 12-digit control number included on the proxy card. You may vote by the Internet 24 hours a day. As with telephone voting, you will be able to confirm that the system has properly recorded your votes. If you hold your shares in street name, please follow the Internet voting instructions you receive from your broker, bank or other nominee. You may incur telephone and Internet access charges if you vote by the Internet.

By Mail. If you elect to receive your proxy materials by mail and you are a holder of record, you can vote by marking, dating, and signing your proxy card and returning it by mail in the postage-paid envelope provided to you. If you elect to receive your proxy materials by mail and you hold your shares in street name, you can vote by completing and mailing the voting instruction form provided by your broker, bank or other nominee.

At the Meeting. The way you vote your shares now will not limit your right to change your vote at the annual meeting if you or your proxy attend in person and vote at the annual meeting. If you hold your shares in street name, you must obtain a proxy, executed in your favor, from the holder of record if you wish to vote these shares at the meeting. A list of stockholders eligible to vote at the annual meeting will be available for inspection at the annual meeting and for a period of ten days prior to the annual meeting during regular business hours at our principal executive offices located at 4441 West Airport Freeway, Irving, Texas 75062.

All shares that have been properly voted and not revoked will be voted as you have directed at the annual meeting. **If you sign and return your proxy card without any voting instructions, your shares will be voted as the Board of Directors recommends.**

Table of Contents

Q: Once I have voted, can I change my vote?

A: You can revoke your proxy and change your vote, as desired, at any time before your shares are voted if you (1) submit a written revocation to our Secretary, Meredith W. Bjorck, at or before the meeting, (2) submit a timely later-dated proxy (or voting instruction form if you hold shares in street name), (3) provide timely subsequent telephone or Internet voting instructions or (4) vote in person at the meeting. Your attendance at the annual meeting alone will not revoke your proxy or change your vote.

If you are the beneficial owner of shares held in street name by your broker, bank or other nominee and you have instructed such broker, bank or other nominee to vote your shares, you must follow directions received from such broker, bank or other nominee to change those instructions.

Q: What is the difference between holding shares as a stockholder of record and as a street name holder?

A: Most of our stockholders hold their shares through a broker, bank or other nominee rather than directly in their own names and their shares are said to be held in street name. Some distinctions between shares held of record and shares held in street name are summarized below.

Stockholder of Record. If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered the stockholder of record with respect to those shares and these proxy materials are being sent or made available to you directly by the Company. As the stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the annual meeting.

Shares Held in Street Name. If your shares are held in a brokerage account or by another nominee, you are considered to be the beneficial owner of shares held in street name, and these proxy materials, together with a voting instruction card, are being forwarded to you by your broker, bank or other nominee. As the beneficial owner of the shares, you have the right to direct your broker, bank or other nominee how to vote and are also invited to attend the annual meeting.

If you are a beneficial owner whose shares are held in street name, you are not the stockholder of record and you may not vote these shares in person at the annual meeting unless you obtain a legal proxy giving you the right to vote your shares at the annual meeting from the broker, bank or other nominee that holds your shares in street name. If your shares are held in street name, your broker, bank or other nominee has enclosed or provided voting instructions for you to use in directing the broker, bank or other nominee how to vote your shares.

Q: Who can help answer my questions?

A: If you have any questions about the annual meeting or how to vote or revoke your proxy or if you need additional copies of our annual report, this proxy statement or voting materials, you should contact our Secretary, Meredith W. Bjorck, at (972) 258-5499.

Q: How many shares must be present or represented to conduct business at the annual meeting?

A: A quorum must be present or represented to conduct business at the annual meeting. A majority of the number of outstanding shares of common stock entitled to vote at the annual meeting, present in person or represented by proxy, will constitute a quorum at the annual meeting for purposes of all

Table of Contents

proposals listed in this proxy statement. As of March 5, 2012, there were 18,085,198 shares of common stock, \$0.10 par value issued, outstanding and entitled to vote. If a quorum is not present or represented at the annual meeting, but holders of at least 25 percent of the outstanding shares of common stock entitled to vote at the annual meeting are present in person or represented by proxy, the holders of a majority of such shares have the power to adjourn the annual meeting from time to time, without notice, other than by announcement at the annual meeting, until a quorum is present or represented. At any such adjourned annual meeting at which a quorum is present or represented, any business may be transacted that might have been transacted on the original date of the annual meeting.

Q: Who will count the votes?

A: Votes cast by proxy or in person shall be counted by a person or persons appointed by the Company to act as our inspector or inspectors of election for the annual meeting. The inspector of election appointed for the annual meeting will certify the results.

Q: How are votes counted?

A: In the election of the directors, you may vote **FOR** the nominees or you may **WITHHOLD AUTHORITY** with respect to one, two, three, four, five or all six of the nominees. For the other items of business, you may vote **FOR**, **AGAINST** or **ABSTAIN**.

If you provide specific instructions with regard to certain items, your shares will be voted as you instruct on such items. If you sign your proxy card or voting instruction card without giving specific instructions, your shares will be voted in accordance with the recommendations of the Board of Directors. In the case of this annual meeting, where specific instructions are not indicated, the Board of Directors' proxy holders will vote the shares represented by all valid proxy or voting instruction cards received (1) **FOR** the election of Richard M. Frank, General (ret) Tommy Franks, Tim T. Morris, Louis P. Neeb, Cynthia Pharr Lee and Raymond E. Wooldridge as directors to serve for a term of one year, (2) **FOR** the approval, on an advisory basis, of the compensation of our named executive officers as disclosed in these materials, (3) **FOR** the re-approval of the performance goals under our Incentive Bonus Plan for compliance with Internal Revenue Code Section 162(m), (4) **FOR** the re-approval of the performance goals under our 2004 Restricted Stock Plan for compliance with Internal Revenue Code Section 162(m) and (5) **FOR** the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the 2012 fiscal year.

If you are a beneficial owner and hold your shares in street name through a broker, bank or other nominee and do not return the voting instruction form, the broker, bank or other nominee will determine if it has the discretionary authority to vote on the particular matter. Under applicable rules, brokers, banks and other nominees have the discretion to vote on routine matters, but do not have discretion to vote on matters that are not considered routine. The proposal relating to the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the 2012 fiscal year is considered a routine matter. As a result, brokers, banks and other nominees holding shares for a beneficial owner in street name may vote on this proposal, even if no voting instructions are provided by the beneficial owner. The proposals relating to the election of directors, the approval, on an advisory basis, of the compensation of the Company's named executive officers as disclosed in these materials and the re-approval of the performance goals under our Incentive Bonus Plan and 2004 Restricted Stock Plan for compliance with Internal Revenue Code Section 162(m) are not considered routine matters. Consequently, if you do not provide your broker, bank or other nominee with your voting instructions for any one of these proposals, the broker, bank or other nominee cannot vote your shares on that proposal, which is referred to as a broker non-vote.

Table of Contents

The enclosed proxy card or voting instruction form also grants the proxy holders discretionary authority to vote on any other business that may properly come before the meeting as well as any procedural matters.

Q: What vote is required to approve each of the proposals?

A: The proposals to be voted on at the annual meeting and the required vote for each proposal's approval are set forth below.

Proposal 1: To elect Richard M. Frank, General (ret) Tommy Franks, Tim T. Morris, Louis P. Neeb, Cynthia Pharr Lee and Raymond E. Woodridge as directors to serve for a term of one year. Directors are elected by a plurality of the votes cast for the election of directors at the annual meeting and the six nominees receiving the greatest number of votes out of all votes cast for the election of directors will be elected.

Proposal 2: To approve, on an advisory basis, the compensation of our named executive officers as disclosed in these materials. This proposal represents an advisory vote and the results will not be binding on our Board of Directors or the Company. The affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or represented by proxy at the annual meeting and entitled to vote thereon will constitute the stockholders' non-binding approval with respect to the compensation of our named executive officers as disclosed in these materials. The Board of Directors and the Compensation Committee, which is comprised of independent directors, will take into account the outcome of the vote when considering future executive compensation decisions.

Proposal 3: To re-approve the performance goals under our Incentive Bonus Plan for compliance with Internal Revenue Code Section 162(m). The affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or represented by proxy at the annual meeting and entitled to vote thereon will be required to approve this proposal.

Proposal 4: To re-approve the performance goals under our 2004 Restricted Stock Plan for compliance with Internal Revenue Code Section 162(m). The affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or represented by proxy at the annual meeting and entitled to vote thereon will be required to approve this proposal.

Proposal 5: To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the 2012 fiscal year. The affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or represented by proxy at the annual meeting and entitled to vote thereon will be required to approve this proposal.

Q: How are abstentions and broker non-votes counted?

A: Abstentions or withhold votes and broker non-votes will be counted to determine whether there is a quorum present. The proposal relating to the election of directors is determined by plurality vote. Because there is no minimum vote required for approval of this proposal, abstentions or withhold votes and broker non-votes will be entirely excluded from the vote and will have no effect on its outcome.

Abstentions are counted in determining the total number of shares present in person or represented by proxy and entitled to vote thereon with respect to a proposal that requires the affirmative vote of a majority of such shares and, therefore, will have the same effect as a vote against the proposal to

Table of Contents

approve, on an advisory basis, the compensation of our named executive officers as disclosed in these materials, a vote against the proposals to re-approve the performance goals under our Incentive Bonus Plan and 2004 Restricted Stock Plan for compliance with Internal Revenue Code Section 162(m) and a vote against the proposal to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the 2012 fiscal year. Broker non-votes are not counted in determining the number of shares present in person or represented by proxy and entitled to vote thereon with respect to a proposal that requires the affirmative vote of a majority of such shares and, therefore, will not affect the outcome of the voting on these proposals.

Q: What happens if additional matters are presented at the annual meeting?

A: We are not aware of any business to be acted upon at the annual meeting other than the items of business described in this proxy statement. If you grant a proxy on the form used in the solicitation by the Board of Directors that is attached to this proxy statement, the persons named as proxy holders, Scott A. McDaniel, Jay A. Young and Meredith W. Bjorck, will each have the discretion to vote your shares on any additional matters properly presented for a vote at the annual meeting. If for any unforeseen reason one or more of our nominees are not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate(s) as may be nominated by the Board of Directors.

Q: Who will bear the cost of soliciting votes for the annual meeting?

A: The Company is making this solicitation on behalf of the Company's Board of Directors and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. Upon request, we will reimburse brokers, banks or other nominees for reasonable expenses incurred by them in forwarding the proxy materials to the beneficial owners of our shares of common stock.

Q: Is this proxy statement the only way that proxies are being solicited?

A: No. In addition to distributing these proxy materials, certain of our directors, officers or employees may solicit proxies by telephone, facsimile, email or personal contact. They will not be specifically compensated for doing so. The Company has also retained Georgeson Inc. to assist in the solicitation of proxies for a fee of approximately \$7,500, plus administrative costs and any other reasonable out-of-pocket disbursements.

Q: Where can I find the voting results of the annual meeting?

A: We intend to announce preliminary voting results at the annual meeting and disclose final results in a current report on Form 8-K or quarterly report on Form 10-Q filed with the Securities and Exchange Commission within four business days after the annual meeting. If final results are not yet known within that four business day period, we will disclose preliminary voting results in the Form 8-K and file an amendment to the Form 8-K to disclose the final results within four business days after such final results are known.

Q: What is the deadline to propose actions for consideration or to nominate individuals to serve as directors at the 2013 annual meeting of stockholders?

A: Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act), stockholders may present proper proposals for inclusion in our proxy statement relating to, and

Table of Contents

for consideration at, the 2013 annual meeting of stockholders, by submitting their proposals to us in a timely manner. Such proposals will be included if received at our principal executive offices not later than November 19, 2012 and if they otherwise comply with the requirements of Rule 14a-8.

Notice of any director nomination or other stockholder proposal that you intend to present at the 2013 annual meeting of stockholders, but do not intend to have included in our proxy statement relating to, and for consideration at, the 2013 annual meeting of stockholders, must be received at our principal executive offices not earlier than the close of business on January 1, 2013 and not later than the close of business on January 31, 2013. In addition, your notice must set forth the information required by the Company's Amended and Restated Bylaws (the Bylaws) with respect to each director nomination or other proposal that you intend to present at the 2013 annual meeting of stockholders.

Q: How may I obtain CEC's Annual Report for the year ended January 1, 2012?

A: If you requested paper copies of the proxy materials by mail, the Annual Report was included with such materials. The proxy materials are also available on the Internet at <http://www.proxyvote.com>. Stockholders may obtain a copy of the Annual Report, including the financial statements and financial statement schedules, without charge, by writing to our Secretary, Meredith W. Bjorck, at our principal executive offices located at 4441 West Airport Freeway, Irving, Texas 75062. Our Annual Report and our other filings with the Securities and Exchange Commission can also be accessed on our website at <http://www.chuckecheese.com> under Company Info Investor Information. The Annual Report is not part of the proxy soliciting materials.

Table of Contents**PROPOSAL 1:****ELECTION OF DIRECTORS**

The Board of Directors currently consists of nine directors. At the 2010 annual meeting of stockholders, the Board of Directors recommended and the Company's stockholders approved an amendment to the Company's Articles of Incorporation that eliminated the Board of Directors classified structure. Consequently, directors who were elected to three-year terms prior to the effectiveness of the amendment (including directors elected at the 2010 annual meeting) will complete their three-year terms. Beginning with the 2011 annual meeting of stockholders, directors whose previous terms are expiring are subject to election for a one-year term expiring at the next annual meeting. Thus, beginning with the 2013 annual meeting, the entire Board of Directors will be elected annually.

The Board of Directors has nominated Richard M. Frank, General (ret) Tommy Franks, Tim T. Morris, Louis P. Neeb, Cynthia Pharr Lee and Raymond E. Wooldridge for election as directors, and each have expressed their willingness to serve as directors if elected. However, if any nominee becomes unavailable to serve at the time of the annual meeting, the Board of Directors may provide for a lesser number of directors or designate substitute nominees. If substitute nominees are designated, the persons named in the enclosed proxy will vote proxies for the remaining nominees and any substitute nominees, unless otherwise instructed by a stockholder.

The following table lists the names and ages, as of March 19, 2012, of the director nominees and the other directors whose terms of office will continue after the annual meeting, the year in which each director was first elected as a director of the Company, and the annual meeting at which the term of each director will expire.

Nominee Directors	Age	Director Since	Term Expires
Richard M. Frank	64	1985	2012
General (ret) Tommy Franks	66	2008	2012
Tim T. Morris	65	1997	2012
Louis P. Neeb	72	1994	2012
Cynthia Pharr Lee	63	1994	2012
Raymond E. Wooldridge	73	1997	2012
Continuing Directors			
Michael H. Magusiak	55	1988	2013
Bruce M. Smokey Swenson	66	2011	2013
Walter Tyree	60	1997	2013

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE NAMED NOMINEE DIRECTORS.

Table of Contents

CORPORATE GOVERNANCE

Board Leadership Structure and Risk Oversight

Our Company is led by Michael H. Magusiak and Richard M. Frank. Messrs. Magusiak and Frank have a combined tenure with the Company of 50 years. Mr. Magusiak served as President of the Company from June 1994 to December 2008 and since December 2008 has served as President and Chief Executive Officer of the Company. Mr. Magusiak has been a member of the Board of Directors since 1988. Mr. Frank served as Chairman of the Board of Directors and Chief Executive Officer of the Company from March 1986 to December 2008 and since December 2008 has served as Executive Chairman of the Board of Directors and remained as an employee of the Company. The Company's Board of Directors is currently comprised of Mr. Magusiak, Mr. Frank and seven independent directors.

In December 2008, based upon the recommendation of the Nominating/Corporate Governance Committee, the Board of Directors approved the separation of the positions of Chief Executive Officer and Chairman of the Board upon the promotion of Mr. Magusiak to Chief Executive Officer. The Board of Directors believes that by separating the duties of Executive Chairman of the Board from the President and Chief Executive Officer it is able to achieve a greater degree of independence in terms of the leadership of the Board of Directors without losing the benefit of Mr. Frank's long tenure with the Company and leadership capabilities. Further, the Board of Directors believes this separation improves the Board's oversight of management, provides greater accountability of management to stockholders and allows the President and Chief Executive Officer to focus on managing the Company's business, while allowing the Executive Chairman to focus on more effectively leading the Board of Directors and overseeing the Company's general strategic direction.

During 2009 and 2010, the Nominating/Corporate Governance Committee evaluated the Company's corporate governance policies and determined that it would be desirable to implement a counterbalancing governance structure since the Executive Chairman of the Board is a former Chief Executive Officer of the Company and still employed with the Company. In February 2010, based upon the recommendation of the Nominating/Corporate Governance Committee, the Company amended its Corporate Governance Guidelines to provide for the annual appointment of a Lead Independent Director, by the Company's independent directors, for a one-year term. Since February 2010, Raymond E. Wooldridge has served as the Company's Lead Independent Director. The Board of Directors believes that a Lead Independent Director improves corporate governance and strengthens the integrity of the Board of Directors by ensuring that a strong, independent director helps guide the Board of Directors and provides independent oversight of management. Further, the Company's Lead Independent Director helps facilitate dialogue between the Board of Directors and stockholders by specifically identifying an independent director available for consultation and communication.

Pursuant to the Company's Bylaws, the Chairman of the Board of Directors is responsible for (a) presiding over all meetings of the Board of Directors and stockholders and (b) setting the agendas for all Board of Director and stockholder meetings. Pursuant to the Company's Corporate Governance Guidelines, the Lead Independent Director (a) has the separate authority to call for and conduct executive sessions of the Board of Directors at which only outside, independent directors are permitted to be present, along with other persons invited to attend such sessions by the Lead Independent Director or a majority of the outside, independent directors, (b) presides at all meetings of the Board of Directors at which the Executive Chairman of the Board is not present, including executive sessions of

Table of Contents

independent directors, (c) serves as a liaison between the Executive Chairman and the independent directors, (d) approves meeting agendas and materials sent to the Board of Directors that are initially prepared by or under the direction of the Executive Chairman, (e) approves meeting schedules that are initially prepared by the Executive Chairman in order to assure that there is sufficient time for discussion of all agenda items, (f) makes recommendations to the Executive Chairman or the Board of Directors regarding matters for consideration by the Board of Directors and (g) if requested by major stockholders, is available for consultation and direct communication.

The Board of Directors has three standing committees: Audit, Compensation and Nominating/Corporate Governance. Each of the committees is comprised solely of independent directors, with each of the three committees having a separate chair. While the Audit Committee has primary responsibility for risk oversight, both our Audit Committee and our entire Board of Directors are actively involved in risk oversight on behalf of the Company and both receive a report on the Company's risk management activities from our executive management team on a regular basis. Members of both the Audit Committee and the Board of Directors also engage in periodic discussions with our Executive Chairman, President and Chief Executive Officer, Chief Financial Officer, General Counsel and other officers of the Company as they deem appropriate to ensure that risk is being properly managed at the Company. In addition, each of the committees of the Board of Directors considers risks associated with its respective area of responsibility. For example, the Company's Compensation Committee considers the risks that may be associated with how the Company's executive compensation programs are structured and the Company's Nominating/Corporate Governance Committee is responsible for ensuring the Company's corporate governance practices are structured in a way that ensures the Board of Directors is able to execute on its risk oversight responsibilities effectively.

Corporate Governance Guidelines

The Board of Directors, based upon the recommendation of the Nominating/Corporate Governance Committee, has adopted the CEC Entertainment, Inc. Corporate Governance Guidelines which are designed to assure that the Board of Directors will have the necessary authority and practices in place to review and evaluate our business operations as needed and to make decisions that are independent of the Company's management. The Corporate Governance Guidelines are also intended to align the interests of directors and management with those of our stockholders. Among other matters, the Corporate Governance Guidelines include the following items concerning the Board of Directors:

establishes the general practices the Board of Directors will follow with respect to making decisions regarding board composition and selection, board meetings and involvement of senior management in board meetings, board committees and director compensation;

sets forth the authority, responsibilities and duties of the Lead Independent Director;

limits director service on other public boards to a maximum of four;

requires a director to submit his or her resignation to the Board in the event of a substantial change in the director's principal occupation or business during his or her tenure;

establishes minimum Company stock ownership requirements for certain executive management as well as non-employee directors;

oversees the annual evaluation of the effectiveness of the Board;

Table of Contents

requires annual review of the Company's executive management succession plans by the Nominating/Corporate Governance Committee in consultation with the Chief Executive Officer and Executive Chairman; and

encourages continuing education and training for directors.

Shareholder Access to Corporate Governance Information

The Corporate Governance Guidelines, as well as the charters for the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee may be viewed on our website at <http://www.chuckecheese.com> under Company Info Investor Information and are available in print to any stockholder who requests them from the Company.

The Code of Business Conduct and Ethics applicable to all of our directors and employees may be viewed on our website at <http://www.chuckecheese.com> under Company Info Investor Information and is available in print to any stockholder who requests it from the Company. We will disclose any amendments to or, with respect to directors and executive officers, waivers from the Code of Business Conduct and Ethics on the Company's website.

The Code of Ethics applicable to our Chief Executive Officer, President and senior financial officers may be viewed on our website at <http://www.chuckecheese.com> under Company Info Investor Information and is available in print to any stockholder who requests it from the Company. We will disclose any amendments to or waivers from the Code of Ethics on the Company's website.

Director Attendance; Access to Management and Outside Consultants

Directors are expected to attend all meetings of the Board of Directors and each committee on which they serve, and the Board of Directors encourages all its members to attend each annual meeting of stockholders. In May 2011, the entire Board of Directors, excluding Mr. Morris, was present at the 2011 annual meeting of stockholders.

Non-employee directors have access to individual members of management or to other employees of the Company on a confidential basis. Directors are authorized to conduct independent investigations and to hire outside consultants or experts at the Company's expense. Directors also have access to our records and files, and directors may contact other directors without informing management of the purpose or even the fact of such contact.

Nominations of Directors

The Nominating/Corporate Governance Committee identifies, considers and, if appropriate, recommends candidates for election to the Board of Directors, whether such candidate is submitted by a director, management or a stockholder. In making its selection of candidates to recommend for election, the Nominating/Corporate Governance Committee seeks persons who have achieved prominence in their field and who possess significant experience in areas of importance to the Company. Although no search firm has been used to date, the Nominating/Corporate Governance Committee may engage a search firm to assist in identifying qualified candidates.

The minimum qualifications that the Nominating/Corporate Governance Committee believes must be met for a candidate to be nominated include integrity, independence, forthrightness, analytical skills and the willingness to devote appropriate time and attention to the Company's affairs. Candidates

Table of Contents

should also demonstrate a willingness to work as part of a team in an atmosphere of trust and a commitment to represent the interests of all the stockholders rather than those of a specific constituency.

Specifically, in identifying and evaluating nominees for director, the Nominating/Corporate Governance Committee seeks to ensure that the Board of Directors possesses, in the aggregate, the strategic, managerial and financial skills and experience necessary to fulfill its duties and to achieve its objectives, and seeks to ensure that the Board of Directors is comprised of directors who have broad and diverse backgrounds, possessing knowledge in areas that are of importance to the Company. The Nominating/Corporate Governance Committee looks at each nominee on a case-by-case basis regardless of who recommended the nominee. In looking at the qualifications of each candidate to determine if his or her election would further the goals described above, the Nominating/Corporate Governance Committee takes into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills or financial acumen, diversity of viewpoint, industry knowledge and the qualifications described above.

The Nominating/Corporate Governance Committee believes that significant consideration should be given to having a diversity of backgrounds, skills, and perspectives among the directors. In the selection of directors, the Nominating/Corporate Governance Committee may consider the diversity of Board of Directors membership in terms of expertise, age, gender, race, education, experience, knowledge, and other attributes which contribute to the Board of Directors' diversity.

The Nominating/Corporate Governance Committee will consider director candidates recommended by stockholders. If a stockholder has a suggestion for candidates for election to the Board of Directors at the 2013 annual meeting of stockholders, the recommendation should be submitted in writing to the Secretary, Meredith W. Bjorck, of the Company at 4441 West Airport Freeway, Irving, Texas 75062, not earlier than the close of business on January 1, 2013 and not later than the close of business on January 31, 2013 to allow the Nominating/Corporate Governance Committee sufficient time to evaluate the candidate and his or her qualifications. Submissions should include each of the following:

the name and record address of the stockholder and beneficial owner, if any, submitting a candidate;

the number of shares of common stock and any derivative instruments with a right to acquire any underlying common stock that are owned beneficially or of record by the stockholder and such beneficial owner;

any direct or indirect opportunity that the stockholder has to profit from any increase or decrease in the value of the shares of the Company;

any proxy, contract, arrangement, understanding or relationship pursuant to which such stockholder has a right to vote any shares of the Company;

any rights to dividends on the shares of the Company owned beneficially by the stockholder that are separated or separable from the underlying shares of the Company;

any proportionate interest in shares of the Company or derivative instruments held, directly or indirectly, by a general or limited partnership in which the stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner;

Table of Contents

any performance related fees that the stockholder is entitled to based on any increase or decrease in the value of shares of the Company or derivative instruments;

all other information relating to the stockholder and beneficial owner, if any, that is required to be disclosed in the proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act;

all information relating to each individual to be nominated that is required to be disclosed in solicitations for proxies in an election of directors pursuant to Regulation 14A under the Exchange Act;

a description of all direct and indirect compensation and other material monetary agreements, arrangements, and understandings during the past three years, any other material relationships, between or among the stockholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert; and

for each nominee for election to the Board of Directors, a complete and signed questionnaire, representation and agreement as required by the Company's Bylaws.

The Nominating/Corporate Governance Committee may request that the stockholder submitting the proposed nominee furnish additional information to determine the eligibility and qualifications of such candidate to serve as a director of the Company. The Nominating/Corporate Governance Committee intends to apply the same standards in considering candidates submitted by stockholders as it does in evaluating candidates submitted by members of the Board of Directors.

Qualifications of Director Nominees and Directors

All of the directors and director nominees were selected to serve on the Board of Directors because the Nominating/Corporate Governance Committee believes that they have the requisite integrity, independence, business and analytical skills, and forthrightness, as well as a willingness to devote appropriate time and attention to the Company's affairs, work as a team, and represent the interests of all of the stockholders. In addition, the Nominating/Corporate Governance Committee believes that the directors and director nominees possess, in the aggregate, the strategic, managerial and financial skills and experience necessary to fulfill the Board of Director's duties and to achieve its objectives. The Nominating/Corporate Governance Committee also believes that the Board of Directors is comprised of directors who have broad and diverse backgrounds, possessing knowledge in areas that are of importance to the Company.

In addition, the Nominating/Corporate Governance Committee also took into consideration certain individual characteristics and qualifications of the directors and director nominees in determining whether that individual should serve as a director of the Company. The Nominating/Corporate Governance Committee nominated Mr. Frank for re-election based on his extensive restaurant operations experience, his highly specialized family dining and entertainment industry experience and his leadership skills. Mr. Frank possesses over 35 years of significant restaurant operations experience, including 27 years of experience with the Company, bringing substantial knowledge to the Board of Directors regarding operational issues and a unique understanding of what is required to successfully

Table of Contents

operate in the family dining and entertainment industry. Mr. Frank served as Chief Executive Officer of the Company for over 20 years and brings to the Board of Directors exceptional leadership qualities in his role as Executive Chairman.

The Nominating/Corporate Governance Committee nominated General (ret) Franks for re-election based on his extensive leadership and international experience obtained throughout his over 35 year military career. General (ret) Franks is a retired four-star General who served as Commander-in-Chief for the United States Central Command responsible for leading American and Coalition troops in Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom in Iraq. As the Company continues to expand internationally, the Board of Directors will continue to seek the guidance of General (ret) Franks in formulating the Company's global strategic direction.

The Nominating/Corporate Governance Committee nominated Mr. Morris for re-election based on his ability to provide valuable insight to the Board of Directors regarding accounting, tax and financial reporting matters, as well as his experience in the finance industry. Mr. Morris brings to the Board of Directors over 20 years of experience at various public accounting firms, including Deloitte & Touche where he was Office Managing Partner. Mr. Morris was also selected as a member of the Board of Directors based on his ability to serve as a member of the Company's Audit Committee and as an audit committee financial expert. In addition, Mr. Morris has over 20 years of private equity experience and has been President of two investment firms. The Board of Directors relies on Mr. Morris to provide it with key strategic input regarding decisions related to evaluating and accessing the capital markets.

The Nominating/Corporate Governance Committee nominated Mr. Neeb for re-election based on his extensive restaurant operations experience and his leadership skills. Mr. Neeb possesses over 35 years of significant restaurant industry experience bringing substantial knowledge to the Board of Directors regarding issues facing companies in the restaurant industry. In addition, Mr. Neeb has served as Chief Executive Officer at Mexican Restaurants, Inc. and Spaghetti Warehouse, Inc. and is currently serving on the Board of Directors of Denny's Corporation, bringing to the Board of Directors substantial leadership experience.

The Nominating/Corporate Governance Committee nominated Ms. Pharr Lee for re-election based on her leadership skills and her extensive marketing, public relations and issues management experience. Ms. Pharr Lee has served as Chief Executive Officer/President at several public relations firms and counseled numerous restaurant companies, bringing to the Board of Directors exceptional leadership qualities. In addition, Ms. Pharr Lee is able to offer unique insight and direction to the Board of Directors regarding the Company's public relations strategy and risk management because she has more than 20 years of experience in corporate counseling and ongoing board education in risk management and governance.

The Nominating/Corporate Governance Committee nominated Mr. Wooldridge for re-election based on his experience in the finance industry. Mr. Wooldridge has over 30 years of experience in the securities and investment banking industry and served as President and Chief Executive Officer at two securities firms. The Board of Directors relies on Mr. Wooldridge to provide it with key strategic input regarding decisions related to evaluating and accessing the capital markets.

The Nominating/Corporate Governance Committee selected Mr. Magusiak as a member of the Board of Directors based on his extensive restaurant industry experience, his highly specialized family dining and entertainment industry experience, his accounting experience and his leadership skills.

Table of Contents

Mr. Magusiak possesses significant restaurant industry experience, including approximately 25 years of experience with the Company. During Mr. Magusiak's tenure with the Company he has served in such capacities as Chief Executive Officer, President, Chief Financial Officer, Treasurer and Controller providing the Board of Directors with a unique understanding of what is required to successfully operate in the family dining and entertainment industry. In addition, Mr. Magusiak is a certified public accountant.

The Nominating/Corporate Governance Committee selected Mr. Swenson to serve as a member of the Board of Directors based on his experience in the financial services and accounting industries. Mr. Swenson has over 30 years of experience in the investment banking industry and has served in senior leadership roles at several investment banking firms. Mr. Swenson also has accounting experience and was formerly a certified public accountant with Peat Marwick, a public accounting firm and a predecessor firm to KPMG LLP. Mr. Swenson was also selected as a member of the Board of Directors based on his ability to serve as a member of the Company's Audit Committee and as an audit committee financial expert.

The Nominating/Corporate Governance Committee selected Mr. Tyree as a member of the Board of Directors based on his extensive restaurant operations experience. Mr. Tyree possesses over 30 years of significant restaurant operations experience at various companies including Steak & Ale, Boston Market Corporation and CBRL Group, Inc., bringing substantial knowledge to the Board of Directors regarding operational issues. Specifically, during Mr. Tyree's tenure at Steak & Ale, Mr. Tyree was promoted from an assistant manager to a regional director, spending 18 years in various operational leadership positions. At Boston Market Corporation, during Mr. Tyree's time as an area developer in Texas, he grew the Boston Market concept by 70 units in five years. In addition, during his 13 year tenure at Boston Market Corporation, Mr. Tyree consolidated all of the company's area developers into one operational platform nationwide, as well as assembled and managed an operations field leadership, training group and human resources department. During the last five years, Mr. Tyree has been focused on field operations leadership at CRBL Group, Inc. as a Regional Vice President.

Table of Contents**ADDITIONAL INFORMATION REGARDING THE EXECUTIVE OFFICERS**

The following table sets forth the names and certain other information regarding the executive officers of the Company as of March 19, 2012:

Name	Age	Position	Year First Elected as Executive Officer
Richard M. Frank	64	Executive Chairman	1985
Michael H. Magusiak	55	President and Chief Executive Officer	1988
J. Roger Cardinale	52	Executive Vice President, Development and Purchasing	1999
Randy G. Forsythe	50	Executive Vice President, Director of Operations	2008
Tiffany B. Kice	44	Executive Vice President, Chief Financial Officer and Treasurer	2010
Scott A. McDaniel	41	Executive Vice President, Chief Marketing Officer	2011
Laurie E. Priest	39	Vice President, Controller	2012

We refer to Messrs. Frank, Magusiak, Cardinale, Forsythe and Ms. Kice collectively as our named executive officers in this proxy statement.

Table of Contents

BUSINESS EXPERIENCE OF EXECUTIVE OFFICERS AND DIRECTORS

A brief description of the business experience of the directors and executive officers of the Company is provided below.

MICHAEL H. MAGUSIAK was elected President of the Company in June 1994 and Chief Executive Officer in December 2008. He previously served as Executive Vice President, Chief Financial Officer and Treasurer of the Company from June 1988 to June 1994. He has also served as a member of the Board of Directors of the Company since 1988. He was Vice President of the Company from October 1987 to June 1988 and Controller of the Company from July 1987 to January 1989. He joined the Company in July 1987. Mr. Magusiak is a Certified Public Accountant.

RICHARD M. FRANK has been Executive Chairman of the Company since December 2008. From March 1986 to December 2008, Mr. Frank served as Chairman of the Board and Chief Executive Officer of the Company and has been a member of the Board of Directors of the Company since June 1985. He served as President and Chief Operating Officer from June 1985 until October 1988. He joined the Company in 1985. Since February 2006, Mr. Frank has served as a director of Westwood Holdings Group, Inc., a New York Stock Exchange listed company, and Westwood Trust Company.

J. ROGER CARDINALE has served as Executive Vice President of Development and Purchasing of the Company since December 1999. He previously served as Senior Vice President of Purchasing from March 1998 to December 1999 and Senior Vice President of Real Estate from January 1999 to December 1999. From January 1993 to March 1998, he served as Vice President of Purchasing and, from September 1990 to January 1993, he served as Director of Purchasing. Mr. Cardinale also held various other positions with the Company from November 1986 to September 1990.

RANDY G. FORSYTHE has served as Executive Vice President, Director of Operations of the Company since September 2008. Prior to that time he served as Senior Vice President from February 2000 to September 2008. Mr. Forsythe served as a Regional Vice President from November 1997 to February 2000. From November 1982 to November 1997, Mr. Forsythe held various positions in operations with the Company.

TIFFANY B. KICE has served as Executive Vice President, Chief Financial Officer and Treasurer of the Company since August 2010. From September 1995 to August 2010, Ms. Kice was employed by KPMG LLP, a public accounting firm, where she served as an Audit Partner from October 2006 through August 2010. During her tenure at KPMG, Ms. Kice performed financial statement audits, audits of internal controls, and other related services for several large public companies, including a significant number of multi-location companies in the restaurant and retail industries. Ms. Kice is a Certified Public Accountant.

SCOTT A. MCDANIEL has served as Executive Vice President, Chief Marketing Officer of the Company since October 2011. From 1996 to 2011, Mr. McDaniel was employed by PepsiCo, Inc., a global food, snack and beverage company, where he held various sales and marketing leadership roles with respect to some of PepsiCo's largest food and beverage customers, including most recently serving as Vice President/GM National Sales for PepsiCo's Walmart customer team.

LAURIE E. PRIEST has served as Vice President, Controller of the Company since March 2012. Prior to joining the Company, Ms. Priest served as Manager of Accounting Standards at Kimberly-Clark Corporation, a New York Stock Exchange listed company engaged in the manufacturing and marketing

Table of Contents

of essential products made from natural or synthetic fibers, from January 2010 to February 2012. From October 2003 to November 2009, Ms. Priest held various financial positions including Director, Financial Reporting with Centex Corporation (a predecessor to PulteGroup, Inc.), a New York Stock Exchange listed company in the residential homebuilding and mortgage lending industry. From September 1996 to October 2003, Ms. Priest worked for public accounting firms, where she held various roles, including most recently Audit Senior Manager with KPMG LLP. Ms. Priest is a Certified Public Accountant.

GENERAL (RET) TOMMY FRANKS was elected as an independent director of the Company in March 2008. General (ret) Franks has operated Franks & Associates, LLC, a private consulting firm, since 2003. General (ret) Franks served in the United States Army from 1965 to 2003. In August 2003, he retired as a four star general. From 2006 to 2009, General (ret) Franks served on the Board of Directors and Audit Committee of Bank of America, NA, a New York Stock Exchange listed company. From 2005 to 2007, General (ret) Franks served on the Board of Directors of OSI Restaurant Partners, Inc., a New York Stock Exchange listed restaurant company.

TIM T. MORRIS was elected as an independent director of the Company in June 1997. Mr. Morris has been the President of Morris Capital Management, LLC, an investment firm since January 1992. From 1990 through 2002, Mr. Morris was the President of River Associates, LLC, an investment firm. From 1981 through 1990, Mr. Morris was an Office Managing Partner of Deloitte & Touche, a public accounting firm. From 1977 through 1981, Mr. Morris was a Partner of Rogers, Morris, Millsaps & Underwood, CPAs, a public accounting firm. From 1968 through 1977, Mr. Morris was a Partner of Hazlett, Lewis & Bieter, CPAs, a public accounting firm. From December 2010 through February 2011, Mr. Morris served on the Board of Directors and Audit Committee of First Security Group, Inc., a Nasdaq listed company.

LOUIS P. NEEB was elected as an independent director of the Company in August 1994. Mr. Neeb has served as Chairman Emeritus of Mexican Restaurants, Inc. (f/k/a Casa Olé Restaurants, Inc.), a restaurant company, since May 2010 and was Chairman of the Board from October 1995 to May 2010. Mr. Neeb also served as Chief Executive Officer of Mexican Restaurants, Inc. from February 1996 through May 2002, and as Interim Chief Executive Officer from December 2006 through April 2007. From August 1982 to present, Mr. Neeb has been President of Neeb Enterprises, Inc., a management consulting firm specializing in consulting to restaurant companies. From July 1991 through January 1994, Mr. Neeb was President and Chief Executive Officer of Spaghetti Warehouse, Inc., a restaurant company. Mr. Neeb also served as Chairman of the Board of Burger King Corporation from September 1980 to June 1982. From January 2008 to present, Mr. Neeb has also served as a director of Denny's Corporation. Mr. Neeb also served as a member of the board of directors of both the Franchise Finance Corporation of America, a publicly-traded real estate trust that provides real estate for restaurants from 1994 through 2001, and Silver Diner, Inc., a restaurant company, from 1994 to 2007. Mr. Neeb is the Chairman of our Nominating/Corporate Governance Committee.

CYNTHIA PHARR LEE was elected as an independent director of the Company in August 1994. Since 1993, Ms. Pharr Lee has served as President of C. Pharr & Company, a communications and marketing consulting firm. A co-founder of Texas Women Ventures Fund, Ms. Pharr Lee serves on the Fund's Investment Advisory Committee and is also a board member of Southwest Venture Forum. Ms. Pharr Lee is a former President of Executive Women of Dallas and National Chairman of the Counselors Academy of the Public Relations Society of America. From May 1989 through February 1993, Ms. Pharr Lee was President and Chief Executive Officer of Tracy Locke/Pharr Public Relations, a division of Omnicom, a New York Stock Exchange listed company. From August 1986

Table of Contents

through April 1989, Ms. Pharr Lee was President and Owner of C. Pharr & Company, a public relations agency. Ms. Pharr Lee served as a Director of Spaghetti Warehouse, Inc., a restaurant company, from August 1991 through January 1999. In 2008, Ms. Pharr Lee was elected to the board of directors of Behringer Harvard Opportunity REIT II, Inc., a real estate investment trust.

BRUCE M. SMOKEY SWENSON was elected as an independent director of the Company in June 2011. Mr. Swenson currently serves as a Managing Director for the investment banking firm Stephens Inc. Prior to joining Stephens Inc. in 1999, Mr. Swenson served as Senior Managing Director for the investment banking firm Everen Securities, Inc. from 1998 to 1999. From 1992 to 1998, Mr. Swenson worked for Principal Financial Securities, Inc., an investment banking firm, where he was Senior Vice President and head of the Corporate Finance Department from 1996 to 1998. Mr. Swenson was a Senior Vice President at Southwest Securities, Inc., an investment banking firm, from 1990 to 1992. From 1980 to 1990, Mr. Swenson was a Senior Vice President and Director at Rotan Mosle Inc., an investment banking firm. Mr. Swenson was an accountant from 1976 to 1980 at Peat Marwick, a public accounting firm and a predecessor firm to KPMG LLP, where he worked in the audit and private business advisory departments. Mr. Swenson is the Chairman of our Audit Committee.

WALTER TYREE was elected as an independent director of the Company in June 1997. Since September 2006, Mr. Tyree has served as Regional Restaurant Vice President of CBRL Group, Inc., a holding company that, through its subsidiaries, is engaged in the operation and development of the Cracker Barrel Old Country Store. Mr. Tyree was Chief Operating Officer of Boston Market Corporation, a restaurant company, from March 2004 until June 2005. He previously held the positions of Divisional President for Boston Market from October 1999 until March 2004, and Vice President of Operations for Boston Market from October 1998 until October 1999. Mr. Tyree served as Chief Operating Officer of BCBM Southwest, Inc., a Boston Market franchisee, from January 1993 until October 1998. From 1975 to 1992, Mr. Tyree served in various positions with Steak and Ale, a restaurant company, including as a Regional Director.

RAYMOND E. WOOLDRIDGE was elected as an independent director of the Company in June 1997. Mr. Wooldridge currently serves as a Director of Westwood Holdings Group, Inc., a New York Stock Exchange listed company, and Westwood Trust Company. Mr. Wooldridge previously served as Vice Chairman of the Board of Governors of the National Association of Securities Dealers, Chairman of the National Securities Clearing Corporation and as a director of Security Bank, N.A. Mr. Wooldridge also served as Vice Chairman and Chairman of the Executive Committee of Southwest Securities Group, Inc., a publicly traded securities firm, from 1996 to 1999, and as President, Chief Operating Officer and Chief Executive Officer thereof from 1986 until 1996. Prior thereto, from 1964 through 1986, Mr. Wooldridge served in various positions with Eppler, Guerin and Turner, Inc., a regional brokerage and investment banking firm, most recently as the firm's President and Chief Executive Officer. Mr. Wooldridge serves as Chairman of the Board of Reeves Bancshares, Inc., the holding company for Stockmans Bank with offices in Southwest Oklahoma. From 1993 to 2009, Mr. Wooldridge served as a director of Davidson Cos., Inc. Mr. Wooldridge also served as a director of Davidson Trust Company from 2001 to 2005. Mr. Wooldridge is the Lead Independent Director of the Board of Directors and the Chairman of our Compensation Committee.

Except as set forth above, none of the directors of the Company hold, or held within the past five years, directorships in any company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940.

Table of Contents

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

It is the policy of the Company that a majority of the Board of Directors consists of non-employee directors who meet the criteria for independence required by the listing standards of the New York Stock Exchange. The Board of Directors has determined that all of the following non-employee directors are independent under these standards: General (ret) Tommy Franks, Tim T. Morris, Louis P. Neeb, Cynthia Pharr Lee, Bruce M. Smokey Swenson, Walter Tyree, and Raymond E. Wooldridge. The Board of Directors has also determined that each of Tim T. Morris and Bruce M. Smokey Swenson is an audit committee financial expert as defined by the Securities and Exchange Commission.

Ten meetings of the Board of Directors were held during 2011. During 2011, all directors attended at least 75% of the aggregate number of meetings of the Board of Directors and all committees on which they served. The non-employee directors also meet periodically in executive session without management present. The Company's Lead Independent Director, Raymond E. Wooldridge, serves as the presiding director at all executive sessions of the Board of Directors.

The Board of Directors has established a Nominating/Corporate Governance Committee, an Audit Committee, and a Compensation Committee. The responsibilities and composition of each of these committees are described below. The charters for the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee may be viewed on our website at <http://www.chuckecheese.com> under Company Info Investor Information.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee currently consists of five directors, each of whom is independent as defined by the listing standards of the New York Stock Exchange. The Nominating/Corporate Governance Committee is responsible for: (a) identifying individuals qualified to become members of the Board of Directors and recommending a group of director nominees to the Board of Directors for each annual meeting of the Company's stockholders; (b) ensuring that the Audit, Compensation and Nominating/Corporate Governance Committees of the Board of Directors have the benefit of qualified and experienced independent directors; (c) developing and recommending to the Board of Directors a set of effective corporate governance guidelines applicable to the Company; (d) overseeing the evaluation of the Board of Directors and management; (e) recommending the director who should fill the Lead Independent Director role; and (f) taking a leadership role in shaping the Company's corporate governance.

Under its charter, the Nominating/Corporate Governance Committee is also charged with, among other things, the following responsibilities:

annually develop and recommend to the Board of Directors a set of corporate governance principles applicable to the Company, including policies on the size and composition of the Board of Directors, and review and reassess the adequacy of such guidelines and recommend to the Board of Directors any changes deemed appropriate;

review possible candidates for Board of Directors membership consistent with the Board of Directors' criteria for selecting new directors as set forth in the Corporate Governance Guidelines;

Table of Contents

annually recommend for approval by the Board of Directors, a slate of nominees (a majority of whom shall be independent) for the Board of Directors at the annual meeting of the Company's stockholders;

in the event of a vacancy on the Board of Directors in between annual meetings of the Company's stockholders, recommend for approval by the Board of Directors nominees to fill such vacancy, ensuring that a majority of the directors are independent;

recommend directors to be selected for membership on Board of Directors committees;

perform Board of Directors performance evaluations on an annual basis;

develop management succession plans;

review senior management organizational matters;

maintain agendas and minutes of its meetings and provide periodic reports on its activities to the Board of Directors;

at least annually conduct a self evaluation to assess the effectiveness of the Nominating/Corporate Governance Committee; and

to perform any other activities consistent with its charter, the Company's Articles of Incorporation and Bylaws, and governing laws as the Nominating/Corporate Governance Committee or the Board of Directors deems appropriate.

For further discussion of the Nominating/Corporate Governance Committee's consideration of nominees for director, see Corporate Governance Nominations of Directors and Corporate Governance Qualifications of Director Nominees and Directors.

The Nominating/Corporate Governance Committee held six meetings in 2011. During 2011, the committee was comprised of General (ret) Franks and Messrs. McDowell, Neeb, Swenson, Tyree and Wooldridge. Mr. McDowell served on the Nominating/Corporate Governance Committee from January 2011 through April 2011. Mr. Swenson has served on the Nominating/Corporate Governance Committee since June 2011. All of the other members of the Nominating/Corporate Governance Committee served the entire year. Mr. Neeb is the current Chairman of the Nominating/Corporate Governance Committee.

Audit Committee

The Audit Committee currently consists of five directors, each of whom is independent as defined by the listing standards of the New York Stock Exchange and applicable Securities and Exchange Commission regulations. Additionally, the Board of Directors has determined that Messrs. Morris and Swenson, are audit committee financial experts as defined under the rules of the Securities and Exchange Commission. The Audit Committee provides assistance to the directors in fulfilling their fiduciary responsibility to the stockholders, potential stockholders, and investment community relating to corporate accounting and financial controls, risk assessment and risk management policies, compliance with legal and regulatory requirements, reporting practices of the Company, and the quality and integrity of the financial reports of the Company.

Table of Contents

The primary role of the Audit Committee is to provide financial oversight. Our management is responsible for preparing financial statements, and our independent registered public accounting firm is responsible for auditing those financial statements. The Audit Committee does not provide any expert or special assurance or certifications as to our financial statements or as to the work of our independent registered public accounting firm. The Audit Committee is directly responsible for the selection, engagement, compensation, retention and oversight of our independent registered public accounting firm.

The Audit Committee's responsibilities also include, but are not limited to, the following:

the selection of the independent auditors, considering their independence and effectiveness, the approval of the fees and other compensation to be paid to the independent auditors and the establishment of hiring policies for employees and former employees of the Company's independent auditors;

the review of the scope of the proposed audit for the current year and at the conclusion of the audit reviewing such audit with the independent auditors and financial management of the Company;

the review with the independent auditors, the Company's internal auditors and financial and accounting personnel of the quality of accounting principles applied in the financial statements as well as the adequacy and effectiveness of the accounting and financial controls of the Company;

the review, at least annually, of a report by the independent auditors describing its internal quality-control procedures, any material issues raised by the most recent internal quality-control review or peer review of the independent auditors or by any governmental inquiry or investigation within the preceding five years and any steps taken by the independent auditors to address any such issues;

the review of the Company's annual audited financial statements and the recommendation that such statements be filed in the Form 10-K with the Securities and Exchange Commission and New York Stock Exchange;

the review with financial management of the quarterly Form 10-Q prior to its filing and the review of earnings press releases and earnings guidance prior to their release to the public, analysts and other third parties;

the review of the regular internal reports to management prepared by the internal auditing department;

investigation of any matter brought to its attention within the scope of its duties, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate;

the annual review and reassessment of the adequacy of the Audit Committee's Charter;

at least annually the conduct of a self evaluation to assess the effectiveness of the Audit Committee;

Table of Contents

the review with management of the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies; and

the preparation of a report as required by the rules of the Securities and Exchange Commission for inclusion in the Company's annual proxy statement.

The Audit Committee has established a procedure whereby complaints or concerns regarding accounting, internal controls or auditing matters may be submitted anonymously to the Audit Committee by email at auditcomm@cecentertainment.com.

The Audit Committee held four meetings in 2011. During 2011, the committee was comprised of Ms. Pharr Lee and Messrs. McDowell, Morris, Neeb, Swenson and Wooldridge. Mr. McDowell served on the Audit Committee from January 2011 through April 2011. Messrs. Swenson and Wooldridge have served on the Audit Committee since June 2011. All of the other members of the Audit Committee served the entire year. Mr. McDowell was the Chairman of the Audit Committee from January 2011 through April 2011. Mr. Swenson has been the Chairman of the Audit Committee since June 2011.

Compensation Committee

The Compensation Committee currently consists of five directors, each of whom is independent as defined by the listing standards of the New York Stock Exchange, qualifies as a non-employee director for purposes of the Exchange Act and satisfies the requirements of an outside director for purposes of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder. The Compensation Committee is responsible for approving the compensation, including performance bonuses, payable to the executive officers of the Company, and administering the Company's equity compensation plans (collectively, the Employee Stock Plans).

The Compensation Committee acts on behalf of the Board of Directors to establish or recommend the compensation of executive officers of the Company and to provide oversight of our overall compensation programs and philosophy. The Compensation Committee also acts as the oversight committee with respect to the Company's Employee Stock Plans, including selection of participants, determination of award levels within plan parameters, and approval of award documents. The Compensation Committee may delegate authority for day-to-day administration of the Employee Stock Plans to officers of the Company. However, the Compensation Committee may not delegate any authority under those plans for matters affecting the compensation of our employees, including our executives.

In view of the current economic and financial environment, the Compensation Committee has reviewed the design and operation of the Company's incentive compensation arrangements, including the performance objectives and target levels used in connection with incentive awards, with management and evaluated the relationship between the Company's risk management policies and practices and these arrangements. The Compensation Committee believes that the combination of cash and equity incentives reflected in the Company's executive compensation program is consistent with the Company's agreed-upon risk profile as maintained by these policies and practices and does not encourage our executives to take excessive or unnecessary risks that threaten the value of the Company.

Table of Contents

In this regard, the performance objectives contained in our annual incentive compensation plan have been balanced with those contained in our long-term incentive compensation plan to ensure that both are aligned and consistent with our long-term business plan, our mix of equity-based awards have been allocated to ensure an appropriate combination of incentive and retention objectives, and our stock ownership guidelines have been established to ensure that the interests of our executives have been aligned with the interests of our stockholders.

The Compensation Committee is also responsible for, among other things, the following:

reviewing and approving corporate goals and objectives relevant to the compensation of the Executive Chairman and Chief Executive Officer, evaluating their performance in light of these goals and objectives, and setting their compensation based on this evaluation;

evaluating the performance of and determining the compensation for executives at the level of Senior Vice President and above based on such evaluation;

establishing the Company's cash and equity compensation plans and seeking Board of Director approval for any material changes;

reviewing and recommending the Board of Directors approve all executive officers' employment agreements and separation/severance agreements;

establishing and periodically reviewing policies for the administration of executive compensation programs, reviewing on a periodic basis the operation of the Company's executive compensation programs to determine whether they are properly coordinated, and reviewing new executive compensation programs;

reviewing director compensation levels and practices, and recommending, from time to time, changes in such compensation levels and practices to the Board of Directors with equity ownership in the Company encouraged;

periodically reviewing the Company's policies and procedures with respect to employee loans (if any), provided that the committee shall not approve any arrangement in which the Company, directly or indirectly, extends or maintains credit, arranges for the extension of credit, or renews an extension of credit, in the form of a personal loan to or for any director or executive officer (or the equivalent thereof) of the Company;

annually reviewing and reassessing the adequacy of the Compensation Committee's Charter and recommending any proposed changes to the Board of Directors for approval;

reviewing and implementing appropriate procedures to enable the Company to follow the requirements of Section 162(m)(4)(C) of the Internal Revenue Code of 1986, as amended, the Treasury Regulations promulgated thereunder, any Internal Revenue Service rulings, pronouncements, procedures or other administrative guidance and all applicable judicial authority relating thereto (the "Tax Laws") with respect to the deduction of all performance-based compensation payable to the Executive Chairman, Chief Executive Officer and other executive officers;

at least annually conducting a self evaluation to assess the effectiveness of the Compensation Committee;

Table of Contents

reviewing and discussing the Company's Compensation Discussion and Analysis section with management and, recommending to the Board of Directors that it be included in the Company's Form 10-K or proxy statement, as applicable; and

preparing a report on executive compensation as required by the rules of the Securities and Exchange Commission for inclusion in the Company's annual proxy statement.

The Compensation Committee met six times in 2011. During 2011, the Compensation Committee agendas were established in consultation with the committee chair and Mr. Frank, our Executive Chairman. The Compensation Committee also periodically met in executive session following the Compensation Committee meetings. In 2011, at the request of the Compensation Committee, Messrs. Frank and Magusiak provided the Compensation Committee with a performance assessment and compensation recommendations for each of the Company's executive officers other than themselves. Those recommendations were then considered by the Compensation Committee, along with an executive compensation analysis from Longnecker & Associates, an independent executive compensation consulting firm. In 2011, Mr. Frank typically attended the Compensation Committee meetings, but he was not present for the executive sessions, or for any discussion of his own compensation. In 2012, the Compensation Committee utilized a similar process for establishing compensation. The Compensation Committee's processes for establishing and overseeing executive compensation and the role of the Company's compensation consultant are discussed further in the Compensation Discussion and Analysis section below.

During 2011, the Compensation Committee was comprised of Ms. Pharr Lee, General (ret) Franks, and Messrs. Morris, Tyree and Wooldridge. Mr. Wooldridge is the current Chairman of the Compensation Committee.

Compensation Committee Interlocks and Insider Participation

None of the Compensation Committee members (Ms. Pharr Lee, General (ret) Franks, and Messrs. Morris, Tyree and Wooldridge) has ever been an officer or employee of the Company, nor has any of them had any relationship requiring disclosure by the Company under any paragraph of Item 404 of Regulation S-K. There have been no relationships during the last fiscal year requiring disclosure by the Company under any paragraph of Item 407(e)(4) of Regulation S-K.

Stockholder Communications with the Board of Directors

The Board of Directors has established a means by which stockholders and interested parties may communicate directly with the Board of Directors or individual members of the Board of Directors. Stockholders may contact the Board of Directors or any committee of the Board of Directors by sending an email to the non-management directors as a group at nonmanagementdirectors@cecentertainment.com or to one of the committees at auditcomm@cecentertainment.com, corpgovcomm@cecentertainment.com or compcomm@cecentertainment.com. Communications will be distributed to the Board of Directors, as appropriate, based on the facts and circumstances outlined in the communication. This policy and procedure is also posted on the Company's website at <http://www.chuckecheese.com> under Company Info Investor Information.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

In this Compensation Discussion and Analysis, we discuss our compensation objectives, our decisions and the rationale behind those decisions relating to 2011 compensation for our named executive officers and our decisions to date regarding 2012 compensation. The discussion and analysis also contains statements regarding future individual and Company performance targets and goals. These targets and goals are disclosed in the limited context of our compensation programs and should not be understood to be statements of management's expectations or estimates of results or other guidance. We specifically caution investors not to apply these statements to other contexts. This discussion and analysis also explains the current compensation policies of the Company, which may change in the future in certain circumstances that the Board of Directors or the Compensation Committee consider advisable.

Objectives of Our Compensation Program

The objectives of our compensation program include the following:

attract, retain and motivate executive officers and other employees to successfully implement our strategic plan and enhance stockholder value, through the use of both short and long-term incentives that reward individual and Company performance;

structure compensation based on performance measures intended to reward performance which we believe creates value for stockholders; and

promote an ownership mentality and ensure senior management continuity among our officers and employees through the use of equity-based compensation that more closely aligns the interests of the executives with those of our stockholders.

Our ability to hire and retain executives with the requisite skills and experience to implement our strategic plan is essential to our success on behalf of our stockholders. The goals encompassed in our strategic plan include both improving sales and profits from our existing stores and increasing the number of Company-owned and franchise stores. We believe that if we successfully execute this strategic plan, we can enhance stockholder value by increasing our free cash flow over the long-term through increased earnings and careful management of capital expenditures.

We believe that our success in recruitment and retention of executives is dependent upon our ability to offer a work environment in which our executives can find attractive career challenges and opportunities. We also understand that our executives have a choice regarding where they pursue their careers, and that the compensation we offer plays a significant role in their decision to work for the Company.

What Our Compensation Program Is Designed to Reward

Our executive compensation program is designed to reward strong financial performance of the Company that results from quality execution of our strategic plan on both a short-term and long-term basis. In addition, we want to reinforce those core values that we believe help us achieve our strategic goals, including teamwork, integrity, and the importance we place on each individual.

Table of Contents

Elements of Our Compensation Program and Why We Pay Each Element

Our compensation program is primarily comprised of three elements: base salaries, cash bonuses and long-term equity-based incentive compensation.

Base Salaries. We pay base salary in order to recognize each executive officer's unique value and historical contributions to the Company's success. In establishing base salaries, the Compensation Committee considers salary norms in the industry and the general marketplace, base salaries offered by companies that we compete with for executive talent and the executive's position and level of responsibility.

Cash Bonuses. We include cash bonuses as part of our compensation program because we believe this element of compensation helps to focus executive officers on and motivate executive officers to achieve key corporate objectives by rewarding the achievement of these objectives. We also believe it is necessary in order to offer a competitive total remuneration package. Our cash bonuses are an integral component of compensation that link and reinforce executive decision-making and performance with the objectives of the Company. The Compensation Committee may award cash bonuses through the Incentive Bonus Plan (for all named executive officers except Mr. Forsythe), the Period Performance and Quarterly Sales Bonus Plan (for Mr. Forsythe only), or on a discretionary basis. Our Incentive Bonus Plan provides annual cash bonuses to our named executive officers (excluding Mr. Forsythe) and other eligible employees based upon comparable store sales and diluted earnings per share results for the applicable fiscal year. Each executive's bonus under our Incentive Bonus Plan represents an amount equal to a specified percentage of the executive's gross base salary. Our Period Performance and Quarterly Sales Bonus Plan provides cash bonuses to Mr. Forsythe based upon controllable profit and comparable store sales results for the applicable performance period. Mr. Forsythe's bonus under our Period Performance and Quarterly Sales Bonus Plan will be an amount equal to a specified percentage of his base salary earned during the applicable performance period.

Long-Term Equity-Based Incentive Compensation. Long-term equity-based incentive compensation is an element of our compensation policy because we believe it aligns executive officers' interests with the interests of the Company's stockholders, rewards long-term performance, is required in order for us to be competitive from a total remuneration standpoint, encourages executive retention and provides executives the opportunity to share in the long-term performance of the Company. Prior to 2006, we provided long-term equity-based incentive compensation in the form of stock options. However, because of the evolution of regulatory, tax and accounting treatment, beginning in 2006, we began issuing restricted stock with typically a four year ratable vesting schedule rather than issuing stock options. By typically providing a four-year ratable vesting schedule, the recipients of the restricted stock have an incentive to remain employed over the vesting period. We believe that our restricted stock plan serves as a vehicle for providing long-term incentives and also serves as a retention tool.

Table of Contents

How We Determine the Amount and Material Terms of Each Element of Compensation

The Compensation Committee of our Board of Directors oversees our compensation programs. The Compensation Committee's primary purpose is to assist the Board of Directors in the discharge of its fiduciary responsibilities relating to determining the compensation of the Company's executive officers. Consistent with the listing requirements of the New York Stock Exchange, the Compensation Committee is composed entirely of independent members of our Board of Directors. The Compensation Committee typically meets in the first quarter of each year to review the Company's compensation program and to determine compensation levels for the ensuing fiscal year.

As part of its process, the Compensation Committee utilizes the assistance of Longnecker & Associates, an executive compensation consulting company (Longnecker), to assist the Compensation Committee in evaluating executive compensation programs and in evaluating executive officers' compensation compared to an established peer group of similar public companies selected by the Compensation Committee in consultation with Longnecker. The use by the Compensation Committee of an independent consultant is intended to provide additional assurance that the Company's executive compensation programs are reasonable and consistent with the Company's compensation objectives and market compensation levels. Longnecker reports directly to the Compensation Committee, communicates with the Compensation Committee to discuss compensation trends and best practices, and does not perform any services for management. Approximately every other year Longnecker is asked to produce a report (the Longnecker Report) to the Compensation Committee assessing the competitiveness of our executive compensation as compared to executive compensation of other companies in the restaurant industry that we believe are comparable in terms of industry and size and are reflective of the type of companies with whom we compete for executive talent. In December 2009, the Compensation Committee engaged Longnecker for the purpose of evaluating the compensation of: (i) the Company's top nine executives; (ii) the Board of Directors; (iii) a Lead Independent Director; and (iii) chairpersons of the committees of the Board of Directors. The evaluation resulting from this engagement was submitted to the Compensation Committee in January 2010 (the 2010 Longnecker Report) and was utilized by the Compensation Committee in the process of determining the 2010 and 2011 compensation for the Company's executives and directors. The 2010 Longnecker Report reviewed, assessed and compared a variety of compensation surveys, and compared our executive compensation to that of a peer group of 10 public companies from the restaurant industry.

The 10 companies included in this peer group for the 2010 Longnecker Report are as follows:

Bob Evans Farms, Inc.	Panera Bread Company
California Pizza Kitchen, Inc.	Papa John's International, Inc.
CBRL Group, Inc. (Cracker Barrel)	Red Robin Gourmet Burgers, Inc.
The Cheesecake Factory Incorporated	Ruby Tuesday, Inc.
P.F. Chang's China Bistro	Texas Roadhouse, Inc.

From a business perspective at the time of the 2010 Longnecker Report, as compared to the 50th percentile of our selected peer group, the Company generally had a higher amount of assets, higher annual operating cash flow, higher enterprise value, lower revenues, lower gross profit and higher gross profit percentage.

In October 2011, the Compensation Committee engaged Longnecker for the purpose of evaluating the compensation of the Company's top 10 executives. The evaluation resulting from this engagement was

Table of Contents

submitted to the Compensation Committee in January 2012 (the 2012 Longnecker Report) and was utilized by the Compensation Committee in the process of determining the 2012 compensation for the Company's executives. The 2012 Longnecker Report reviewed, assessed and compared a variety of compensation surveys, and compared our executive compensation to that of a peer group of 10 public companies from the restaurant industry.

The 10 companies included in the peer group for the 2012 Longnecker Report are as follows:

Bob Evans Farms, Inc.	Panera Bread Company
California Pizza Kitchen, Inc.	Papa John's International, Inc.
Cracker Barrel Old Country Store, Inc.	Red Robin Gourmet Burgers, Inc.
The Cheesecake Factory Incorporated	Ruby Tuesday, Inc.
P.F. Chang's China Bistro	Texas Roadhouse, Inc.

From a business perspective at the time of the 2012 Longnecker Report, as compared to the 50th percentile of our selected peer group, the Company generally has a higher enterprise value, higher annual operating cash flow, higher gross profit percentage, lower gross profit, lower revenues and lower amount of assets.

In reviewing total compensation of executives, the 2010 Longnecker Report and 2012 Longnecker Report analyzed total compensation of amounts generally in the range between the 50th and 75th percentile of our selected peer group. The 50th percentile, or midpoint range of our peer group, is intended to provide compensation at a level appropriate for an executive who meets expectations and is fully qualified for the responsibilities of a given position. Compensation approximating the 75th percentile of the range is intended to provide compensation at a level appropriate for a seasoned incumbent who typically exceeds expectations.

Base salary. During 2011, the Compensation Committee and Mr. Frank met to review the base salaries of the Company's executive officers. Mr. Frank participated in some preliminary discussions with the Compensation Committee about the base salary levels of the Company's other executive officers, including the performance of the other executive officers. Thereafter, Mr. Frank was excused and the Compensation Committee met in an executive session to consider any potential change to Messrs. Frank and Magusiak's respective base salaries. Neither Mr. Frank nor Mr. Magusiak made a recommendation on their respective base salaries. For 2011, the Compensation Committee set the base salary of Messrs. Frank, Magusiak, Cardinale, Forsythe and Ms. Kice at \$750,000, \$800,000, \$350,000, \$250,000 and \$275,000, respectively.

In 2012, the Compensation Committee utilized a similar process for establishing executive compensation, including the participation of Mr. Frank with respect to the review of base salaries of the Company's other executive officers and his excusal from any Compensation Committee discussions regarding his base salary. For 2012, the Compensation Committee set the base salary of Messrs. Frank, Magusiak, Cardinale, Forsythe and Ms. Kice at \$750,000, \$800,000, \$360,000, \$250,000 and \$300,000, respectively. The Compensation Committee set the salaries of each of the named executive officers in consideration of the factors below.

In setting base salaries in 2011 and 2012, the Compensation Committee took into account a combination of subjective factors, as well as the information in the 2010 Longnecker Report and 2012 Longnecker Report, respectively. Subjective factors the Compensation Committee considers include

Table of Contents

individual achievements, level of responsibility, experience, leadership abilities, increases or changes in duties and responsibilities and contributions to the Company's performance. The Compensation Committee does not consider wealth accumulation in its evaluation. The Compensation Committee generally establishes base salaries in conjunction with the cash bonus and long-term incentive elements of the compensation program that create a compensation package that affords the individual an opportunity which generally approximates the 50th to 75th percentile of the competitive market.

Cash Bonus. The Compensation Committee may award cash bonuses through the Incentive Bonus Plan (for all of the named executive officers except for Mr. Forsythe), the Period Performance and Quarterly Sales Bonus Plan (for Mr. Forsythe only), and on a discretionary basis.

Incentive Bonus Plan

The Company has established the Incentive Bonus Plan whereby executive officers (excluding Mr. Forsythe) have the potential to receive a cash bonus if the Compensation Committee's pre-established comparable store sales goal and diluted earnings per share goal for a fiscal year are met.

The Compensation Committee determines by at least March 15th of each fiscal year the applicable percentage of an executive's gross base earnings that may be earned under the Incentive Bonus Plan for such year (the Bonus Potential). Executives will receive a bonus under the Incentive Bonus Plan if our comparable store sales and diluted earnings per share for the applicable fiscal year reach the target levels established by the Compensation Committee. In no event would a cash bonus be paid under the 2011 Incentive Bonus Plan unless certain minimum comparable store sales for the fiscal year as predetermined by the Compensation Committee are attained.

The actual bonus payout for an executive is equal to the gross base earnings of such executive multiplied by his or her Bonus Potential, multiplied by the sales multiplier for the fiscal year, multiplied by the diluted earnings per share multiplier for the fiscal year. If the comparable store sales target for a fiscal year is obtained, the sales multiplier for that fiscal year will be the number one. If the diluted earnings per share target for a fiscal year is obtained, the earnings per share multiplier described below for that fiscal year will be the number one. The sales multiplier and the diluted earnings per share multiplier for a fiscal year will be lower or higher than the number one if the comparable store sales and the diluted earnings per share are lower or higher, respectively, than the targeted results. The amount of bonus may be adjusted, as determined by the Compensation Committee, for certain specific material unusual transactions that may occur outside of the normal, regular course of business, if such transactions are equal to or greater than 0.5% of pre-tax earnings or revenues in 2011. In 2012, such transactions would need to be equal to or greater than 0.5% or 5.0% of total revenues or pre-tax earnings, respectively. No such adjustments were made in 2011. Based on this formula, the comparable store sales and diluted earnings per share criteria of our Executive Chairman, President and Chief Executive Officer, and the other named executive officers (excluding Mr. Forsythe) is the same for any given fiscal year but the targets may be adjusted from year to year.

For 2011, the Compensation Committee set the target increase for comparable store sales at 1.5% and the target for diluted earnings per share at \$3.01. To the extent the Company repurchased Company shares in fiscal 2011, actual diluted earnings per share figures in fiscal 2011, for purposes of the Incentive Bonus Plan, were adjusted to exclude the effects of such share repurchases. The Compensation Committee believes that comparable store sales and diluted earnings per share targets

Table of Contents

are the appropriate measures for determining Company performance and established the diluted earnings per share and comparable stores targets after taking into consideration the difficult economic environment and reduced discretionary spending. In addition, the Compensation Committee determined that the diluted earnings per share target and the comparable store sales target established the appropriate short-term incentive for the named executive officers. The Compensation Committee set the target bonus amount at 100% of gross base earnings for 2011 for all of the named executive officers (excluding Mr. Forsythe who does not participate in the Incentive Bonus Plan) except Mr. Magusiak whose target bonus amount was 125% of gross base earnings, determining that it provided the appropriate mix with the amounts of salary described above and long-term incentives described below.

For purposes of the 2011 Incentive Bonus Plan, gross base earnings equal the amount of taxable earnings paid to the executive as salary during fiscal year 2011. This is distinguished from the Base Salary set forth in the Summary Compensation Table which is the annual base salary established by the Compensation Committee. For each executive, the Compensation Committee set a percentage of gross base earnings that such executive would receive if the target comparable store sales and the target diluted earnings per share were met in 2011. Our named executive officers (excluding Mr. Forsythe) had a target percentage of gross base earnings of 100% under the 2011 Incentive Bonus Plan (except Mr. Magusiak who had a target percentage of gross base earnings of 125%), which would have been earned if the comparable store sales and diluted earnings per share targets were met but not exceeded. The actual percentage of gross base earnings payable to each executive for 2011 could have been higher or lower than the set percentage depending on whether the actual comparable store sales and diluted earnings per share were higher than or lower than the 2011 targets. The maximum multiplier of the target percentage that could have been earned in 2011 was 2.0. The minimum multiplier of the target percentage that could have been earned in 2011 was 0.27. No cash bonus could have been earned in 2011 if comparable store sales declined by more than 4.0%.

For 2011, comparable store sales decreased 2.0% and diluted earnings per share (as adjusted, pursuant to the terms of the plan, for the impact of share repurchases) was \$2.76. Under the 2011 Incentive Bonus Plan, the corresponding multiplier for a decrease in comparable store sales of 2.0% was 0.64 and the corresponding multiplier for diluted earnings per share (as adjusted) of \$2.76 was 0.732. Therefore, the actual bonus payout to our named executive officers (excluding Messrs. Magusiak and Forsythe) was 0.469 (0.64 multiplied by 0.732) multiplied by 100%, which resulted in 46.9% of their Bonus Potential. The actual bonus payout to Mr. Magusiak was 0.586 (0.64 multiplied by 0.732) multiplied by 125%, which resulted in 58.6% of his gross base earnings. Thus, our named executive officers (excluding Mr. Forsythe) received the following bonuses for 2011 under the Incentive Bonus Plan:

Name and Position	Incentive Bonus Payment
Richard M. Frank (Executive Chairman)	\$ 351,750
Michael H. Magusiak (President and Chief Executive Officer)	\$ 468,718
Tiffany B. Kice (Chief Financial Officer)	\$ 128,975
J. Roger Cardinale (Executive Vice President)	\$ 164,060

The determination of bonus eligibility and targets pursuant to the Incentive Bonus Plan at the beginning of the year to any individual or to the officers as a group is entirely at the discretion of the Compensation Committee.

Table of Contents

For 2012, the Compensation Committee set the target increase for comparable store sales at 2.0% and the target for diluted earnings per share at \$3.16. To the extent the Company repurchases Company shares in fiscal 2012, actual diluted earnings per share figures in fiscal 2012, for purposes of the Incentive Bonus Plan, will be adjusted to exclude the effects of such share repurchases. For each executive, the Compensation Committee set a percentage of gross base earnings that such executive would receive if the target comparable store sales and the target diluted earnings per share are met in 2012. Mr. Magusiak has a target percentage of gross base earnings of 125% under the 2012 Incentive Bonus Plan and the other executive officers have a target percentage of gross base earnings of 100% under the 2012 Incentive Bonus Plan, which would be earned if the comparable store sales and diluted earnings per share targets were met but not exceeded. The actual percentage of gross base earnings payable to each executive for 2012 may be higher or lower than the set percentage depending on whether the actual comparable store sales and diluted earnings per share are higher or lower than the 2012 targets. The maximum multiplier of the target percentage that could be earned in 2012 is 2.0. The minimum multiplier of the target percentage that could be earned in 2012 is 0.33. No bonus will be earned in 2012 if comparable store sales decline by more than 3.0%.

Period Performance and Quarterly Sales Bonus Plan

The cash bonus for Mr. Forsythe, our Executive Vice President, Director of Operations, is based on a separate plan which is comprised of two components: the period performance bonus and the quarterly sales bonus.

In 2011, Mr. Forsythe's period performance bonus was calculated by multiplying his base salary for each applicable performance period by the performance bonus factor for such period. The performance bonus factor was 50% of Mr. Forsythe's base salary, subject to an increase or a decrease depending on whether the Company's controllable profit percent was above or below the targeted controllable profit performance. The targeted performance levels set forth specified target controllable profit percentages at varying levels of average weekly sales. The controllable profit percent is our controllable profit as a percentage of sales for the applicable performance period. In 2011, for the period performance bonus, the minimum Mr. Forsythe could earn was \$0 and there was no limit on the amount that could be earned. In 2011, Mr. Forsythe received an aggregate period performance bonus of \$108,423 for all performance periods. In 2012, the period performance bonus will be calculated in the same manner.

In 2011, Mr. Forsythe's quarterly sales bonus was based on comparable store sales for the Company. In 2011, Mr. Forsythe's quarterly sales bonus was calculated based upon multiplying 50% of his base salary for the first three quarters by the sales bonus factor for each such quarter. The fourth quarter sales bonus was calculated on an annual basis. In 2011, the sales bonus factor was based on a targeted increase in comparable store sales of 1.5%. The sales bonus factor ranged from a minimum factor of 0.0 for flat comparable stores sales, which would have resulted in Mr. Forsythe not receiving a quarterly sales bonus, to a maximum sales bonus factor of 3.0 for a 5% comparable store sales increase for the first three quarters of the fiscal year, which would have resulted in a maximum quarterly sales bonus of 150% of his base salary earned during each such quarter, or \$93,750. The maximum sales bonus factor did not apply to the fourth quarter sales bonus. The calculation of the 2011 fourth quarter sales bonus on an annual basis would be adjusted for payments in prior quarters. To qualify for the full amount of the quarterly sales bonus, the increase in the Company's controllable profit as a percent of its increase in sales must have been 50% or greater and no quarterly sales bonus would be payable if the threshold fell below 30%. In 2011, Mr. Forsythe did not receive any aggregate quarterly sales bonus based on the Company's comparable store sales results. In 2012, the quarterly sales bonus will

Table of Contents

continue to be based on comparable store sales and will be calculated in the same manner. In 2012, the sales bonus factor is based on a targeted increase in comparable store sales of 2.0%. The 2012 sales bonus factors range from a minimum factor of 0.0 for flat comparable store sales to a maximum sales bonus factor of 2.5 for a 5% comparable store sales increase for the first three quarter of the 2012 fiscal year.

Discretionary Bonuses

The Compensation Committee, in its discretion based on the collective business judgment of its members, may also choose to award a bonus other than pursuant to the Incentive Bonus Plan and the Period Performance and Quarterly Sales Bonus Plan, and decide on the actual level of the award in light of all relevant factors during or after completion of the fiscal year. No discretionary bonuses were paid to named executive officers in 2011.

Long-Term Equity-Based Incentives. Our Third Amended and Restated 2004 Restricted Stock Plan is administered by the Compensation Committee. The Compensation Committee selects award recipients, determines the timing of grants, assigns the number of shares subject to each award and sets the vesting schedule which is usually over a period of four years. The Compensation Committee determines the amount of the restricted stock grants based on the level of job responsibility, individual performance, and Company performance. The Compensation Committee will meet between two and 10 business days after our quarterly earnings release, and these four meetings will be the only times during the year that grants of restricted stock will be awarded. The Compensation Committee believes it is a better practice to make awards at consistent times when material information regarding our performance has been recently disclosed.

In February 2011, Messrs. Frank and Magusiak provided recommendations to the Compensation Committee for the value of restricted stock to be granted to the other named executive officers. For 2011, the Compensation Committee granted to named executive officers an aggregate of 115,424 shares of restricted stock with a four year vesting schedule (excluding Mr. Frank's grant which had a three year vesting schedule pursuant to his employment agreement). On March 1, 2011, the Compensation Committee granted the named executive officers (excluding Mr. Frank) shares of restricted stock with a four year vesting schedule with 25% of the shares granted vesting on the first anniversary date of the grant and thereafter with 25% of the shares granted vesting on March 1, 2013, March 1, 2014 and March 1, 2015, provided the named executive officer is still employed by us on those dates. Mr. Frank's 2011 restricted stock grant will vest 33% on March 1, 2012, 33% on March 1, 2013 and 33% on March 1, 2014, provided Mr. Frank is still employed by us on those dates. On March 1, 2012, 25% of the shares granted in 2011 to the named executive officers (excluding Mr. Frank) vested. On March 1, 2012, 33% of the shares granted in 2011 to Mr. Frank vested. The Compensation Committee granted the named executive officers the following value and number of shares of restricted stock on March 1, 2011:

Name and Position	2011 Restricted Stock	
	Value	Shares
Richard M. Frank (Executive Chairman)	\$ 1,500,000	39,349
Michael H. Magusiak (President and Chief Executive Officer)	\$ 1,800,000	47,219
Tiffany B. Kice (Chief Financial Officer)	\$ 250,000	6,558
J. Roger Cardinale (Executive Vice President)	\$ 500,000	13,116
Randy G. Forsythe (Executive Vice President)	\$ 350,000	9,182

Table of Contents

In addition, the restricted stock awards granted to Messrs. Frank and Magusiak in 2011 included additional, performance-based vesting conditions based on the achievement of total revenue targets during fiscal year 2011. Under the performance-based vesting conditions, no restricted stock award would be retained if total revenues during fiscal year 2011 were \$744,930,000 or less. In addition, under the performance-based vesting conditions, the entire restricted stock award would be retained if total revenues during fiscal year 2011 were \$801,000,000 or more. In the event total revenues were equal to or between \$744,930,001 and \$800,999,999, a portion of the restricted stock award would be retained and a portion would be forfeited. The performance based awards established by the Compensation Committee are based 100% on the achievement of revenue objectives set by the Compensation Committee which the Compensation Committee believes are the appropriate performance-based inducement for the executive to retain some or all of his restricted stock award. For 2011, the performance-based vesting conditions were satisfied with respect to the 2011 restricted stock awards and Messrs. Frank and Magusiak retained all of their restricted stock grants which were valued at \$1,500,000 for Mr. Frank and \$1,800,000 for Mr. Magusiak.

In February 2012, Messrs. Frank and Magusiak, provided recommendations to the Compensation Committee for the value of restricted stock to be granted to the other named executive officers. On February 28, 2012, the Compensation Committee approved the Company's restricted stock grant for 2012. For 2012, the Compensation Committee granted to named executive officers an aggregate of 116,567 shares of restricted stock with a four year vesting schedule (excluding Mr. Frank's grant which had a three year vesting schedule). The restricted stock subject to the 2012 stock grants (excluding Mr. Frank's) will vest as follows: 25% on February 28, 2013, 25% on February 28, 2014, 25% on February 28, 2015 and 25% on February 28, 2016, provided the named executive officer is still employed by us on those dates. As provided in Mr. Frank's employment agreement and his 2012 restricted stock award agreement, Mr. Frank's 2012 restricted stock grant will vest 33% on February 28, 2013, 33% on February 28, 2014 and 33% on February 28, 2015; provided, however, if Mr. Frank retires as Executive Chairman at the end of the term of his employment agreement the unvested portion of his restricted stock award will automatically vest at that time. The Compensation Committee granted the named executive officers the following value and number of shares of restricted stock on February 28, 2012:

Name and Position	2012 Restricted Stock	
	Value	Shares
Richard M. Frank (Executive Chairman)	\$ 1,500,000	39,073
Michael H. Magusiak (President and Chief Executive Officer)	\$ 1,800,000	46,887
Tiffany B. Kice (Chief Financial Officer)	\$ 300,000	7,815
J. Roger Cardinale (Executive Vice President)	\$ 525,000	13,675
Randy G. Forsythe (Executive Vice President)	\$ 350,000	9,117

In addition, the restricted stock awards granted to Messrs. Frank and Magusiak in 2012 include additional, performance-based vesting conditions based on the achievement of total revenue targets during fiscal year 2012. Under the performance-based vesting conditions, no restricted stock award will be retained if total revenues during fiscal year 2012 are \$759,589,999 or less. In addition, under the performance-based vesting conditions, the entire restricted stock award will be retained if total revenues during fiscal year 2012 are \$821,178,000 or more. In the event total revenues are equal to or between \$759,590,000 and \$821,177,999, a portion of the restricted stock award will be retained and a portion will be forfeited.

Table of Contents

Benefits. We provide Company benefits, or perquisites, that we believe are standard in the industry to our executive officers. We provide a group medical and dental insurance program for the executives and their qualified dependents, group life insurance for the executives and their spouses, accidental death and dismemberment coverage and a Company sponsored cafeteria plan. A major portion of these benefits are paid for by the Company. Employee life insurance amounts surpassing the Internal Revenue Service maximum are treated as additional compensation to all employees. The named executive officers participate in a separate medical, dental and life insurance benefits program that is fully-funded by the Company. Messrs. Frank and Magusiak are also reimbursed for all out-of-pocket expenses related to their life insurance premiums, as well as all out of pocket medical and dental expenses for them, their spouses and dependent children. We pay all administrative costs to maintain the medical and dental benefit plans. Our executive officers are also entitled to certain benefits that are not otherwise available to all of our employees, including car allowances and subsidized annual physical exams.

How Elements of Our Compensation Program Are Related to Each Other

We view the various components of compensation as related but distinct and emphasize pay for performance with cash bonuses and equity awards as a significant portion of total compensation reflecting a risk aspect that is tied to long-term and short-term financial and strategic goals. Our compensation philosophy is to foster entrepreneurship by making equity compensation a significant component of executive compensation. We determine the appropriate level for each compensation component based in part, but not exclusively, on our view of internal equity and consistency, retention of executive officers and other considerations we deem relevant, such as rewarding extraordinary performance. Our Compensation Committee has not adopted any formal or informal policies or guidelines for allocating compensation between long-term and currently paid out compensation, between cash and non-cash compensation, or among different forms of non-cash compensation.

Accounting and Tax Considerations

In general, we have structured our compensation program to satisfy certain provisions of the Internal Revenue Code of 1986, as amended (the Code), including Sections 162(m) and 409A. Under Section 162(m) of the Code, a limitation was placed on tax deductions of any publicly-held corporation for individual compensation to certain executives of such corporation exceeding \$1,000,000 in any taxable year, unless the compensation is performance-based. We reserve the right to use our judgment to authorize compensation payments that do not comply with the performance-based exemptions in Section 162(m) of the Code when we believe that such payments are appropriate and in the best interest of the stockholders, after taking into consideration changing business conditions or the executive's individual performance and/or changes in specific job duties and responsibilities. If an executive is entitled to nonqualified deferred compensation benefits that are subject to Section 409A of the Code and do not comply with the provision, the executive will be subject to regular federal income tax, interest and an additional tax of 20% of the benefit includible in income.

All equity awards to executive officers have been reflected in our consolidated financial statements, based upon the applicable accounting guidance, at the fair market value on the grant date in accordance with accounting principles generally accepted in the United States (GAAP).

Stock Ownership Guidelines

The Compensation Committee strongly believes that executive officers should own appropriate amounts of the Company's common stock to align their interests with those of the Company's

Table of Contents

stockholders. The Company's equity incentive plans provide ample opportunity for executives to acquire such common stock. The Compensation Committee also has adopted stock ownership and retention guidelines for the Executive Chairman, President and Chief Executive Officer, all Executive Vice Presidents and all non-employee directors. The ownership targets under the current policy are as follows:

Executive Chairman	75,000 shares
President and Chief Executive Officer	75,000 shares
Executive Vice Presidents	10,000 shares
Non-Employee Directors	5,000 shares

New directors and officers have five years to attain such ownership thresholds. All of the directors and executive officers have attained such ownership thresholds with the exception of Mr. Swenson who has served on the Board of Directors since June 2011.

Termination of Employment Arrangements

We have change of control severance provisions in the employment agreements negotiated with our Executive Chairman and our President and Chief Executive Officer. Our Board of Directors and Compensation Committee believe that providing these agreements to our Executive Chairman and our President and Chief Executive Officer should serve to help protect stockholders' interests. The agreements provide that the executives would only receive change of control severance in the event that both a change of control occurred and the executive left the Company within one year of the change of control. Our Board of Directors and Compensation Committee believe that providing these agreements to our Executive Chairman and our President and Chief Executive Officer should serve to help protect stockholders' interests in the event of a change of control event affecting the Company, by enhancing the likelihood of management continuity through the closing of any transaction. Our Board of Directors and Compensation Committee further believe that these provisions are appropriate given the combined tenure of the two executives with the Company is approximately 50 years and that in the event of any change in control, Messrs. Frank and Magusiak would likely be asked to remain as members of the executive management team of the Company. Finally, the Board of Directors and Compensation Committee believe that the remuneration for any change of control severance, which approximates one year of total target compensation for Mr. Frank and amounts to less than one year of total target compensation for Mr. Magusiak, is fair and appropriate given their long-term service with the Company and provides the appropriate incentive to continue service to the Company during any pending change of control.

The employment agreements with Messrs. Frank and Magusiak also provide the executives with certain additional severance and deferred compensation benefits. The Board of Directors and Compensation Committee believe that such benefits, which are less than those for any change of control severance, are fair and appropriate given their long-term service with the Company. The Board of Directors and Compensation Committee also believe that such benefits provided an appropriate incentive for the executives to enter into their employment agreements and continue their service to the Company.

In addition, our Employee Stock Plans have provisions allowing for the vesting of awards granted under those plans following a change of control (as defined in the applicable Employee Stock Plan), which would apply to awards granted to our executive officers. Generally, awards granted under the

Table of Contents

Employee Stock Plans provide that the award will vest in the event that there is a change in control (as defined in the applicable Employee Stock Plan). The employment agreements with Messrs. Frank and Magusiak also provide for the vesting of their awards under certain circumstances.

See Potential Payments Upon Termination or Change-in-Control for more information on the benefits payable to the Company's executives upon termination of employment.

COMPENSATION COMMITTEE REPORT

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

THE COMPENSATION COMMITTEE

Raymond E. Wooldridge, Chairman

General (ret) Tommy Franks

Tim T. Morris

Cynthia Pharr Lee

Walter Tyree

This Compensation Committee Report is not soliciting material, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, regardless of date or any general incorporation language in such filing.

Table of Contents**EXECUTIVE COMPENSATION**

The following tables and accompanying narrative disclosure should be read in conjunction with the Compensation Discussion and Analysis, which sets forth the objectives of the Company's executive compensation program.

Summary Compensation Table

The Summary Compensation Table below summarizes the total compensation of each named executive officer earned and awarded during fiscal years 2011, 2010 and 2009:

Name and Principal Position	Year	Salary (1) (\$)	Bonus (\$)	Stock Awards (2) (\$)	Non-Equity Incentive Plan	All Other	Total (\$)
					Compensation (3) (\$)	Compensation (4) (\$)	
Richard M. Frank (Executive Chairman)	2011	760,016(6)		1,500,000	351,750	61,019	2,672,785
	2010	912,393(7)		1,500,000	427,500	51,384	2,891,277
	2009	764,423		1,500,000	418,985	48,317	2,731,725
Michael H. Magusiak (President and CEO)	2011	831,516(8)		1,800,000	468,718	34,378	3,134,612
	2010	800,867(9)		1,500,000	551,845	31,974	2,884,686
	2009	764,423		1,500,000	413,850	32,063	2,710,336
Tiffany B. Kice(5) (Chief Financial Officer)	2011	275,000		250,000	128,975	19,520	673,495
	2010	105,769		94,521	50,000	6,746	257,036
	2009						
J. Roger Cardinale (Executive Vice President)	2011	350,000		500,000	164,060	19,704	1,033,764
	2010	340,000		450,000	193,537	19,716	1,003,253
	2009	315,962		385,000	171,640	19,653	892,255
Randy G. Forsythe (Executive Vice President)	2011	250,000		350,000	108,423(10)	19,771	728,194
	2010	225,000		310,000	190,623(10)	19,704	745,327
	2009	181,731		300,000	80,453(10)	19,646	581,830

- (1) This column represents the base compensation earned during each of the fiscal years presented. The amount reported for 2009 includes an additional week of compensation as fiscal year 2009 contained 53 weeks compared to 52 weeks in fiscal 2010 and 2011.
- (2) This column represents the fair value of restricted stock awards approved by the Compensation Committee in each of the fiscal years presented and is consistent with the grant date fair value of the award computed in accordance with FASB ASC 718. Pursuant to Securities and Exchange Commission rules, the amounts shown reflect the actual or probable outcome of performance conditions that affect the vesting of awards granted to Messrs. Frank and Magusiak and exclude the impact of estimated forfeitures related to service-based vesting conditions. See the Grants of Plan-Based Awards in Fiscal 2011 table for information on restricted stock awards granted in 2011.
- (3) This column includes payments pursuant to the 2011 Incentive Bonus Plan earned in 2011 and paid in 2012, payments pursuant to the 2010 Incentive Bonus Plan earned in 2010 and paid in 2011 and payments pursuant to the 2009 Incentive Bonus Plan earned in 2009 and paid in 2010 for each of the executives except for Mr. Forsythe. For all of the years provided, the incentive bonus computation is based on the annual base compensation amounts that were paid on a bi-weekly basis to the named executive officers, excluding Mr. Forsythe, during the calendar year. Based on the timing of

Table of Contents

bi-weekly payroll dates during calendar year 2009, 2009 contained an additional pay period as compared to 2011 and 2010. In fiscal year 2010, Ms. Kice was guaranteed a minimum bonus of \$50,000.

- (4) See the All Other Compensation in Fiscal 2011 table below for additional information about the compensation included under All Other Compensation for 2011.
- (5) Ms. Kice joined the Company on August 16, 2010.
- (6) Salary includes the following amounts earned during the 2011 fiscal year: (i) base compensation of \$750,000; and (ii) deferred compensation of \$10,016, which represents the additional imputed interest associated with the previously earned deferred compensation.
- (7) Salary includes the following amounts earned during the 2010 fiscal year: (i) base compensation of \$750,000; and (ii) deferred compensation of \$162,393. Pursuant to Mr. Frank's employment agreement entered into on February 23, 2010, deferred compensation in the amount of \$250,000 would be payable to Mr. Frank in 10 equal annual installments, without interest, with the first installment due upon termination of his employment for any reason or the end of the term of the agreement based on the terms set forth in such agreement. The amount of deferred compensation reflected in the table represents the actuarially determined present value of estimated future benefit payments utilizing the same assumptions used for GAAP financial reporting purposes.
- (8) Salary includes the following amounts earned during the 2011 fiscal year: (i) base compensation of \$800,000; and (ii) deferred compensation of \$31,516, which represents the actuarially determined present value of the pro-rata amount of earned deferred compensation and the additional imputed interest associated with the previously earned deferred compensation.
- (9) Salary includes the following amounts earned during the 2010 fiscal year: (i) base compensation of \$775,000; and (ii) deferred compensation of \$25,867. Pursuant to Mr. Magusiak's employment agreement entered into on February 23, 2010, deferred compensation in the amount of \$250,000 would be payable to Mr. Magusiak in certain circumstances in 10 equal annual installments, without interest, with the first installment due upon the Company's termination of his employment, the end of the term of the agreement or a change of control based on the terms set forth in such agreement. In the event of Mr. Magusiak's resignation prior to a change of control, the agreement provides that Mr. Magusiak is entitled to a pro-rata amount of the total deferred compensation amount payable in annual installments based upon his continued employment through the end of the term of the agreement. Mr. Magusiak had earned \$25,867 of the deferred compensation during the 2010 fiscal year, which is the actuarially determined present value of the pro-rata amount to which Mr. Magusiak is entitled based upon his continued employment during 2010, utilizing the same assumptions used for GAAP financial reporting purposes.
- (10) Payments of non-equity incentive plan awards were made to Mr. Forsythe pursuant to the Company's Period Performance and Quarterly Sales Bonus Plan. Under the plan, Mr. Forsythe receives bonuses if the Company's controllable profit and comparable store sales results reach the target levels of performance. See the discussion in the section entitled Period Performance and Quarterly Sales Bonus Plan in the Compensation Discussion and Analysis section for a further description of these awards.

Table of Contents**All Other Compensation in Fiscal 2011**

Name	Car Allowance (\$)	Long Term Disability, Spousal and Child Life Insurance Reimbursement (\$)	Medical Expense Reimbursement (\$)	Car Insurance Reimbursement (\$)	Service Award (\$)	Total (\$)
Richard M. Frank (Executive Chairman)	24,000	14,934	20,923	1,162		61,019
Michael H. Magusiak (President and CEO)	24,000	667	8,710	1,001		34,378
Tiffany B. Kice (CFO)	18,000	505		1,015		19,520
J. Roger Cardinale (Executive Vice President)	18,000	667		1,037		19,704
Randy G. Forsythe (Executive Vice President)	18,000	570		1,201		19,771

Table of Contents**Grants of Plan-Based Awards in Fiscal 2011**

The following table summarizes the 2011 grants of non-equity awards under the Company's Incentive Bonus Plan, Period Performance and Quarterly Sales Bonus Plan, and all restricted stock awards:

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Possible Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock (3)	Grant Date Fair Value of Stock Awards (4)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)	(#)	(\$)
Richard M. Frank (Executive Chairman)	03/01/11	202,500	750,000	1,500,000	38.12(5)	1,500,000(6)	1,500,000	39,349	1,500,000
Michael H. Magusiak (President and Chief Executive Officer)	03/01/11	269,838	999,399	1,998,799	38.12(5)	1,800,000(6)	1,800,000	47,219	1,800,000
Tiffany B. Kice (Chief Financial Officer)	03/01/11	74,250	275,000	550,000				6,558	250,000
J. Roger Cardinale (Executive Vice President)	03/01/11	94,448	349,808	699,615				13,116	500,000
Randy G. Forsythe (Executive Vice President)	03/01/11	466	250,000	(1)				9,182	350,000

- (1) Payments of non-equity incentive plan awards were made pursuant to the Company's Incentive Bonus Plan (for all named executive officers except Mr. Forsythe) and the Company's Period Performance and Quarterly Sales Bonus Plan (for Mr. Forsythe). For grants of non-equity incentive plan awards to all the named executive officers, threshold refers to the minimum amount payable for a certain level of performance under the applicable plan, target refers to the amount payable if the specified performance target(s) are reached, and maximum refers to the maximum payout possible under the applicable plan. Under the awards made pursuant to the Company's Incentive Bonus Plan, the named executive officers (excluding Mr. Forsythe) receive a bonus under the Incentive Bonus Plan if the Company's comparable store sales and diluted earnings per share for the applicable fiscal year reach the target levels of performance established by the Compensation Committee. No bonus would have been paid under the 2011 Incentive Bonus Plan if comparable store sales declined more than 4.0%. In 2011, the named executive officers (excluding Messrs. Magusiak and Forsythe) received payments equal to 46.9% of the target for performance in 2011 under the Company's 2011 Incentive Bonus Plan. In 2011, Mr. Magusiak received a payment equal to 58.6% of the target for performance in 2011 under the Company's 2011 Incentive Bonus Plan. As described in the section entitled "Incentive Bonus Plan" in the Compensation Discussion and Analysis section, potential bonus payouts under the Incentive Bonus Plan are based on the named executive officer's gross base earnings. For purposes of the 2011 Incentive Bonus Plan, gross base earnings equal the amount of taxable earnings paid to the executive as salary during calendar year 2011. This is distinguished from the Base Salary set forth in the Summary Compensation Table which is the annual base salary established by the Compensation Committee (and, for Messrs. Frank and Magusiak, includes certain deferred compensation earned during the 2011 fiscal year). See the discussion in the section entitled "Incentive Bonus Plan" in the Compensation Discussion and Analysis section for a further description of these awards. Payments of non-equity incentive plan awards were made to Mr. Forsythe pursuant to the Company's Period Performance and Quarterly Sales Bonus Plan. Under the plan, Mr. Forsythe receives bonuses if the Company's controllable profit and comparable store sales results reach the target levels of performance. No bonus would have been paid under the period performance component of the plan if

Table of Contents

the Company's actual controllable profit percent was below the specified target controllable profit percent by more than 4.1%. There was no limit on the amount that could be earned under the period performance component of the plan. No bonus would have been paid under the quarterly sales bonus component of the plan if the Company's comparable store sales failed to increase by more than 0.01% or if the increase in the Company's controllable profit as a percent of its increase in sales was less than 30%. There was no limit on the amount that could be earned under the quarterly sales bonus component of the plan. In 2011, Mr. Forsythe received payments equal to 86.7% of the target for performance in 2011 under the period performance component of the Company's Period Performance and Quarterly Sales Bonus Plan, and he received no payments in 2011 under the quarterly sales component of the plan. As described in the section entitled "Period Performance and Quarterly Sales Bonus Plan" in the Compensation Discussion and Analysis section, potential bonus payouts to Mr. Forsythe under the Period Performance and Quarterly Sales Bonus Plan is based on the named executive officer's Base Salary set forth in the Summary Compensation Table. See the discussion in the section entitled "Period Performance and Quarterly Sales Bonus Plan" in the Compensation Discussion and Analysis section for a further description of these awards.

- (2) This column represents restricted stock awards granted to Messrs. Frank and Magusiak under the Third Amended and Restated 2004 Restricted Stock Plan. As described in the section entitled "Long-Term Equity-Based Incentives" in the Compensation Discussion and Analysis section, the restricted stock award granted to Mr. Magusiak in 2011 ratably vests annually over four years and the restricted stock award granted to Mr. Frank in 2011 ratably vests annually over three years. The awards were also subject to additional, performance-based vesting conditions pursuant to which the awards would be forfeited if certain total revenue targets for fiscal year 2011 were not achieved. These targets were achieved and Messrs. Frank and Magusiak retained their awards subject to satisfying the vesting schedule.
- (3) This column represents restricted stock awards granted to our executive officers under the Third Amended and Restated 2004 Restricted Stock Plan. The restricted stock awards ratably vest annually over four years with the exception of Mr. Frank's restricted stock awards which ratably vest annually over three years. See the discussion in the section entitled "Long-Term Equity-Based Incentives" in the Compensation Discussion and Analysis section for a further description of these awards.
- (4) This column represents the value of restricted stock awards approved by the Compensation Committee and is consistent with the grant date fair value of the award computed in accordance with FASB ASC Topic 718. The grant date fair value for the restricted stock awards granted to Messrs. Frank and Magusiak are based on the maximum threshold award amount.
- (5) Based on the closing price on the New York Stock Exchange of one share of the Company's common stock on the date of grant, March 1, 2011.
- (6) This amount is based on the Company's 2011 fiscal year performance.

Table of Contents

**Narrative Disclosure to Summary Compensation Table and
Grants of Plan-Based Awards in Fiscal 2011 Table**

Employment Agreements or Arrangements

Employment Agreement with Mr. Frank

On February 23, 2010, Mr. Frank entered into an employment agreement with the Company providing for a forty-nine (49) month term commencing on February 23, 2010 and ending on March 31, 2014. The employment agreement replaces Mr. Frank's prior employment agreement with the Company dated March 29, 2005, as amended. The employment agreement provides for (i) a base salary of \$750,000 (which may be increased from time to time by the Compensation Committee), (ii) a cash bonus, payable annually, if earned, based upon the achievement of corporate objectives pursuant to the Company's Incentive Bonus Plan, (iii) the grant of performance-based restricted stock or restricted stock unit awards (Restricted Stock Awards) in accordance with the terms of the Company's Third Amended and Restated 2004 Restricted Stock Plan or any successor plan (the Restricted Stock Plan) in such number of shares and under such terms as may be determined by the Compensation Committee, in accordance with the terms of the Restricted Stock Plan, with any such awards vesting over the term of the employment agreement (subject to the Restricted Stock Plan), (iv) the reimbursement of reasonable business expenses, (v) an automobile allowance of \$24,000 annually and a reimbursement of automobile insurance premiums of \$1,000 annually, (vi) at least \$500,000 in life insurance coverage, (vii) at least five (5) weeks vacation and (viii) such additional benefits and/or compensation as may be determined by the Compensation Committee. The employment agreement also provides for certain severance and change-in-control payments. See Potential Payments Upon Termination or Change-In-Control.

In November 2005, the Company implemented the CEC Entertainment, Inc. Policy for Reimbursement of Business Travel on Private Aircraft. At the February 13, 2007 meeting of the Compensation Committee, the policy was amended to reimburse Mr. Frank for the lesser of the fair market value of the fractional use of a comparable aircraft or his direct operating costs. Mr. Frank is only reimbursed for the use of his aircraft for business purposes and must submit appropriate documentation to the Chief Financial Officer or the Chairman of the Compensation Committee whose approval is required for any such reimbursement. During 2011, the Company reimbursed Mr. Frank a total of \$1,864 for three business trips he took using his personal aircraft. Based on Mr. Frank's suggestion and the Compensation Committee's approval, the amount of reimbursement was based on the estimated fair market value of comparable commercial airline tickets, which was less than the fair market value of the fractional use of a comparable aircraft or Mr. Frank's direct operating costs associated with the use of his personal aircraft.

Employment Agreement with Mr. Magusiak

On February 23, 2010, Mr. Magusiak entered into an employment agreement with the Company providing for a seventy-three (73) month term commencing on February 23, 2010 and ending on March 31, 2016. The employment agreement replaces Mr. Magusiak's prior employment agreement with the Company dated March 29, 2005, as amended. The employment agreement provides for (i) a base salary of \$750,000 (which may be increased from time to time by the Compensation Committee), (ii) a cash bonus, payable annually, if earned, based upon the achievement of corporate objectives pursuant to the Company's Incentive Bonus Plan, (iii) the grant of Restricted Stock Awards in accordance with the terms of the Company's Restricted Stock Plan in such number of shares and under

Table of Contents

such terms as may be determined by the Compensation Committee, in accordance with the terms of the Restricted Stock Plan, (iv) the reimbursement of reasonable business expenses, (v) an automobile allowance of \$24,000 annually and a reimbursement of automobile insurance premiums of \$1,000 annually, (v) at least \$500,000 in life insurance coverage, (vi) at least five (5) weeks vacation and (vii) such additional benefits and/or compensation as may be determined by the Compensation Committee. On March 1, 2011, the Compensation Committee increased Mr. Magusiak's base salary from \$775,000 to \$800,000. The employment agreement also provides for certain severance and change-in-control payments. See Potential Payments Upon Termination or Change-In-Control.

Employment Arrangements with other Named Executive Officers

The other named executive officers do not have an employment agreement with the Company, and are at will employees who receive an annual salary, cash bonus and equity compensation awards as approved annually by our Compensation Committee.

Table of Contents**Outstanding Equity Awards at 2011 Fiscal Year-End**

The following table provides information on the stock option and restricted stock awards held by our named executive officers as of January 1, 2012. Each equity grant is shown separately for each named executive officer. The vesting schedule for each grant is shown following this table, based on the stock option or restricted stock award grant date. The market value of the restricted stock awards is based on the closing market price of our common stock as of December 30, 2011 (the last trading day in the 2011 fiscal year), which was \$34.45. See Compensation Discussion and Analysis for additional information about the stock option and restricted stock awards.

Name	Grant Date (1)	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Richard M. Frank (Executive Chairman)	02/25/08					16,685	574,798
	02/24/09					30,477	1,049,933
	03/02/10					31,198	1,074,771
	03/01/11					39,349	1,355,573
Michael H. Magusiak (President and Chief Executive Officer)	02/25/08					14,462	498,216
	02/24/09					30,477	1,049,933
	03/02/10					31,198	1,074,771
	03/01/11					47,219	1,626,695
Tiffany B. Kice (Chief Financial Officer)	11/09/10					1,912	65,868
	03/01/11					6,558	225,923
J. Roger Cardinale (Executive Vice President)	02/25/08					3,710	127,810
	02/24/09					7,822	269,468
	03/02/10					9,360	322,452
	03/01/11					13,116	451,846
Randy G. Forsythe (Executive Vice President)	02/25/08					1,392	47,954
	02/24/09					6,879	236,982
	03/02/10					6,448	222,134
	03/01/11					9,182	316,320

- (1) The grant date for each of the restricted stock awards has been included to facilitate an understanding of the vesting schedules. With the exception of the award made to Mr. Frank in 2011, the restricted stock awards vest at a rate of 25% each year until the award is fully vested on the fourth anniversary of the grant date. The restricted stock award to Mr. Frank in 2011 vests at a rate of 33% each year until the award is fully vested on the third anniversary of the grant date.

Table of Contents**Option Exercises and Stock Vested in Fiscal 2011**

Name	Date	Option Awards		Stock Awards	
		Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$ (1))	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$ (1))
Richard M. Frank	2/24/11			15,237(2)	556,760
(Executive Chairman)	2/25/11			16,685(3)	630,693
	2/26/11			9,710(4)	367,038
	3/02/11			10,399(5)	392,250
Michael H. Magusiak	2/24/11			15,237(2)	556,760
(President and Chief Executive Officer)	2/25/11			14,460(3)	546,588
	2/26/11			8,416(4)	313,125
	3/02/11			10,399(5)	392,250
Tiffany B. Kice (6)	11/9/11			637(6)	21,008
(Chief Financial Officer)					
J. Roger Cardinale	2/24/11			3,911(2)	142,908
(Executive Vice President)	2/25/11			3,707(3)	140,125
	2/26/11			2,268(4)	85,730
	3/02/11			3,119(5)	117,649
Randy G. Forsythe	2/24/11			3,438(2)	125,625
(Executive Vice President)	2/25/11			1,390(3)	52,542
	2/26/11			648(4)	24,494
	3/02/11			2,149(5)	81,060

- (1) The value realized on exercise of a stock option is based on the difference between the per share closing price for our common stock on the date of exercise and the exercise price of the option. The value realized on vesting of a restricted stock award is calculated based on the closing market price of the Company's common stock as of the vesting date of the award multiplied by the number of shares of stock vesting.

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- (2) As of February 24, 2011, the following number of shares were withheld for taxes upon vesting of restricted stock awards: Mr. Frank (4,031 shares); Mr. Magusiak (4,031 shares); Mr. Cardinale (1,092 shares); and Mr. Forsythe (1,158 shares).
- (3) As of February 25, 2011, the following number of shares were withheld for taxes upon vesting of restricted stock awards: Mr. Frank (4,934 shares); Mr. Magusiak (4,114 shares); Mr. Cardinale (981 shares); and Mr. Forsythe (438 shares).
- (4) As of February 26, 2011, the following number of shares were withheld for taxes upon vesting of restricted stock awards: Mr. Frank (3,540 shares); Mr. Magusiak (3,068 shares); Mr. Cardinale (600 shares); and Mr. Forsythe (204 shares).
- (5) As of March 2, 2011, the following number of shares were withheld for taxes upon vesting of restricted stock awards: Mr. Frank (3,791 shares); Mr. Magusiak (3,791 shares); Mr. Cardinale (825 shares); and Mr. Forsythe (676 shares).
- (6) As of November 9, 2011, 169 shares of stock were withheld for taxes upon vesting of restricted stock for Ms. Kice.

Table of Contents**Non-Qualified Deferred Compensation**

The following table sets forth unsecured, unfunded obligations of the Company to make payments of deferred compensation:

Name	Executive Contributions in Last Fiscal Year (\$)	Registrant Contribution in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$)(3)
Richard M. Frank		10,016(1)			172,409
Michael H. Magusiak		31,516(2)			57,383

- (1) Pursuant to Mr. Frank's employment agreement entered into on February 23, 2010, deferred compensation in the amount of \$250,000 would be payable to Mr. Frank in ten equal annual installments, without interest, with the first installment due upon termination of his employment for any reason or the end of the term of the agreement based on the terms set forth in such agreement. The entire amount of deferred compensation was deemed earned during the 2010 fiscal year. The Company is required to record an additional deferred compensation amount every year representing the imputed interest associated with the deferred compensation for Mr. Frank. The additional amount of \$10,016 is included in the Summary Compensation Table as salary of Mr. Frank for the fiscal year 2011.
- (2) Pursuant to Mr. Magusiak's employment agreement entered into on February 23, 2010, deferred compensation in the amount of \$250,000 would be payable to Mr. Magusiak in certain circumstances in ten equal annual installments, without interest, with the first installment due upon the Company's termination of his employment, the end of the term of the agreement or a change of control based on the terms set forth in such agreement. In the event of Mr. Magusiak's resignation prior to a change of control, the agreement provides that Mr. Magusiak is entitled to a pro-rata amount of the total deferred compensation amount payable in annual installments based upon his continued employment through the end of the term of the agreement. During 2010, the Company recorded the actuarially determined present value of the estimated earned future benefit payments payable to Mr. Magusiak and is required to record an additional amount every year representing the additional pro-rata amount earned and the imputed interest associated with the previously earned deferred compensation for Mr. Magusiak. The additional amount of \$31,516 is included in the Summary Compensation Table as salary for Mr. Magusiak for the fiscal year 2011.
- (3) This column represents the aggregate deferred accrued actuarially determined present value of estimated future benefit payments payable to Messrs. Frank and Magusiak pursuant to their respective employment agreements.

Narrative Disclosure to Non-Qualified Deferred Compensation

Messrs. Frank and Magusiak are entitled to certain deferred compensation benefits pursuant to the terms of their respective employment agreements. The deferred compensation benefits are unsecured, unfunded obligations of the Company.

Under his employment agreement, Mr. Frank is entitled to deferred compensation payments equaling \$25,000 per year for ten years, without interest, after the date he leaves the Company, upon the earlier

Table of Contents

of (i) the date his employment is terminated for any reason (including retirement, death, disability or as a result of a significant medical condition) or (ii) the end of the term of his employment agreement, March 31, 2014. The Company accrued the actuarially determined present value of the entire aggregate deferred compensation amount, or \$162,393, during the fiscal year 2010, which was the year in which the Company entered into the employment agreement with Mr. Frank. During fiscal year 2011, the Company recorded imputed interest associated with Mr. Frank's previously earned deferred compensation of \$10,016. Such amounts have been included in the Summary Compensation Table as salary for Mr. Frank for the respective years. Each year until Mr. Frank's termination or retirement, the Company will accrue additional imputed interest costs associated with his deferred compensation.

Under his employment agreement, Mr. Magusiak is entitled to deferred compensation payments equaling \$25,000 per year for ten years, without interest, after the date he leaves the Company, upon the earlier of (i) the date the Company terminates his employment for any reason, (ii) the end of the term of his employment agreement, March 31, 2016, (iii) the date he and the Company agree to terminate his employment due to a significant medical condition or (iv) a change of control. In the event Mr. Magusiak voluntarily terminates his employment with the Company for any reason (other than due to a significant medical condition) prior to a change of control, he is entitled to a pro-rated amount payable in annual installments based on the percentage of completion of the term of his employment agreement when he leaves the Company.

The Company accrued \$31,516 during fiscal year 2011 for Mr. Magusiak, which represents the actuarially determined present value of the pro-rated deferred compensation and the imputed interest associated with Mr. Magusiak's previously earned deferred compensation. The Company accrued \$25,867 during fiscal year 2010 for Mr. Magusiak, which represents the actuarially determined present value of the pro-rated earned deferred compensation utilizing the same assumptions used for GAAP financial reporting purposes. Such amounts are also included in the Summary Compensation Table as salary for Mr. Magusiak for the respective years. The Company is also required to accrue additional deferred compensation for future fiscal years in an amount equal to the pro-rated amounts Mr. Magusiak earns in such future fiscal years and will accrue additional imputed interest cost associated with all such earned deferred compensation in future years.

Equity Compensation Plan Information

The following table sets forth information about equity awards under the Company's equity compensation plans as of January 1, 2012:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
			(c)
Equity Compensation Plans Approved by Security holders	605,241(1)	\$ 38.86	1,318,546(2)
Equity Compensation Plans Not Approved by Security holders			
Total	605,241	\$ 38.86	1,318,546

- (1) This number includes 519,119 shares of common stock issuable upon the vesting of awards granted under the Third Amended and Restated 2004 Restricted Stock Plan, 37,500 shares of

Table of Contents

common stock issuable upon the exercise of options granted under the Non-Employee Directors Stock Option Plan, and 48,622 shares of common stock issuable upon the vesting of awards granted under the Second Amended and Restated Non-Employee Directors Restricted Stock Plan.

- (2) This number includes 1,219,503 shares of common stock available for future awards granted under the Third Amended and Restated 2004 Restricted Stock Plan, and 99,043 shares of common stock available for future awards granted under the Second Amended and Restated Non-Employee Directors Restricted Stock Plan.

Table of Contents

Potential Payments upon Termination or Change-In-Control

The Company provides benefits to certain of the named executive officers upon certain terminations of employment from the Company. These benefits are in addition to the benefits to which the executives would be entitled upon a termination of employment generally (i.e., vested stock options accrued as of the date of termination, restricted stock awards that are vested as of the date of termination, vested benefits, if any, in the Company's 401(k) Plan, and the right to elect continued health coverage pursuant to COBRA). The incremental benefits payable to the named executive officers are described as follows:

Potential Termination Payments under Mr. Frank's and Mr. Magusiak's Employment Agreements

Under the terms of the respective employment agreements (the "Employment Agreements"), if Mr. Frank's or Mr. Magusiak's employment with the Company is terminated by the Company other than (i) for Cause, (ii) as a result of death, (iii) as a result of a significant medical condition (as defined below), or (iv) as a result of a permanent disability (as defined below), then Messrs. Frank and Magusiak will each be entitled to receive a severance amount equal to \$2,000,000, which will be payable in cash in a lump sum within five (5) business days of such date of termination. In addition, under his Employment Agreement, Mr. Frank is entitled to deferred compensation payments equaling \$25,000 per year for ten years, without interest, after the date he leaves the Company, upon the earlier of (i) the date his employment is terminated for any reason (including retirement, death, disability or as a result of a significant medical condition) or (ii) the end of the term of his employment agreement. Under his Employment Agreement, Mr. Magusiak is entitled to deferred compensation payments equaling \$25,000 per year for ten years, without interest, after the date he leaves the Company, upon the earlier of (i) the date the Company terminates his employment for any reason, (ii) the end of the term of his employment agreement, (iii) the date he and the Company agree to terminate his employment due to a significant medical condition or (iv) a Change of Control. In the event Mr. Magusiak voluntarily terminates his employment with the Company for any reason (other than due to a significant medical condition) prior to a Change of Control, he is entitled to a prorated amount payable in annual installments based on the percentage of completion of the term of his Employment Agreement when he leaves the Company. The Company is also obligated to provide for each executive medical benefit coverage for each executive and his Family (as defined below) during the term of their employment agreements and, upon certain termination events, for up to ten years from the date of termination or until such executive and his Family become covered under a policy or plan providing substantially similar coverage by a new employer.

The following terms in the Employment Agreements have the following meanings:

significant medical condition means a major medical event involving Employee that causes Employee and the Board of Directors of the Company mutually to agree that Employee should no longer be employed by the Company;

permanent disability is defined as the inability by reason of any medically determined physical or mental impairment to perform the duties required for a period of 180 consecutive days in any 12 month period; and

Table of Contents

Family is defined as his spouse, as well as his children until such time that his children are no longer eligible for coverage under the health insurance plan covering the Company employees or until they become covered under a policy or plan provided by their employer which provides substantially similar coverage and benefits.

The Employment Agreements also provide that each of Messrs. Frank and Magusiak will receive a lump sum cash payment of \$3,000,000 in the event there is a Change of Control (as defined below) and his employment is terminated by the Company within one year after such a Change of Control or such executive voluntarily terminates his employment within one year after such a Change of Control. Each executive will also be entitled to such payment if his employment is terminated for any reason prior to a Change of Control (whether or not the Change of Control ever occurs) and such termination either (i) was at the request or direction of a person who has entered into an agreement with the Company, the consummation of which would constitute a Change of Control or (ii) was otherwise in connection with or in anticipation of a Change of Control. A Change of Control is deemed to have occurred with respect to the Company if any of the following occur: (i) any consolidation, merger or share exchange of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted into cash, securities or other property, other than a consolidation, merger or share exchange of the Company in which the holders of the Company's common stock immediately prior to such transaction have the same proportionate ownership of common stock of the surviving corporation immediately after such transaction; (ii) any sale, lease, exchange or other transfer (excluding transfer by way of pledge or hypothecation) in one transaction or a series of related transactions, of all or substantially all of the assets of the Company; (iii) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; (iv) the cessation of control (by virtue of their not constituting a majority of directors) of the Board of Directors by the individuals who were members of the Board of Directors for the immediately preceding two years (unless the election, or the nomination for election by the Company's stockholders, of each new director was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such period); (v) the acquisition of beneficial ownership (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended, and any successor statute) of an aggregate of 30% of the voting power of the Company's outstanding voting securities by any person or group (as such term is used in Rule 13d-5 under the Securities Act of 1934, as amended, and any successor statute) who beneficially owned less than 15% of the voting power of the Company's outstanding voting securities on the effective date of the Company's Restricted Stock Plan, or the acquisition of beneficial ownership of an additional 15% of the voting power of the Company's outstanding voting securities by any person or group who beneficially owned at least 15% of the voting power of the Company's outstanding voting securities on the effective date of the Company's Restricted Stock Plan, subject to certain exceptions; or (vi) in a Title 11 bankruptcy proceeding, the appointment of a trustee or the conversion of a case involving the company to a case under Chapter 7. In no event will the Company gross-up the executive's respective severance amounts or any other amounts paid by the Company to the executives to satisfy any excise or similar taxes.

The Employment Agreements also provide that if the Company terminates Messrs. Frank's or Magusiak's employment for any reason (including death or disability) or if Messrs. Frank's or Magusiak's employment is terminated due to a significant medical condition during the terms of his employment, any restricted stock awards that are not vested shall become immediately vested at his termination of employment if they were granted at least one year prior to his termination, subject to any requirements of the restricted stock plan and satisfaction of any applicable performance-based criteria.

Table of Contents

Potential Termination Payments to Other Named Executive Officers

The Company's other named executive officers will be entitled to all base salary and other amounts actually earned, accrued or owing as of the date of termination, vested stock options accrued as of the date of termination, restricted stock awards that are vested as of the date of termination, vested benefits, if any, in the Company's 401(k) Plan, and the right to elect continued health coverage pursuant to COBRA.

Vesting of Equity Awards Upon a Change in Control

Restricted Stock Plan

The Company's restricted stock plan provides that all restricted stock awards outstanding shall automatically be vested upon a Change of Control. For purposes of the restricted stock plan, a Change of Control means any of the following: (i) any consolidation, merger or share exchange of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted into cash, securities or other property, other than a consolidation, merger or share exchange of the Company in which the holders of the Company's common stock immediately prior to such transaction have the same proportionate ownership of common stock of the surviving corporation immediately after such transaction; (ii) any sale, lease, exchange or other transfer (excluding transfer by way of pledge or hypothecation) in one transaction or a series of related transactions, of all or substantially all of the assets of the Company; (iii) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; (iv) the cessation of control (by virtue of their not constituting a majority of directors) of the Board of Directors by the individuals (the Continuing Directors) who were members of the Board of Directors for the immediately preceding two (2) years (unless the election, or the nomination for election by the Company's stockholders, of each new director was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such a period); (v) the acquisition of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, as defined in the restricted stock plan) of an aggregate of 30% of the voting power of the Company's outstanding voting securities by any person or group (as such term is used in Rule 13d-5 under the Exchange Act, as defined in the restricted stock plan) who beneficially owned less than 15% of the voting power of the Company's outstanding voting securities on the date of this plan, or the acquisition of beneficial ownership of an additional 15% of the voting power of the Company's outstanding voting securities by any person or group who beneficially owned at least 15% of the voting power of the Company's outstanding voting securities on the date of this plan; provided, however, that notwithstanding the foregoing, an acquisition shall not constitute a Change of Control hereunder if the acquiror is (A) a trustee or other fiduciary holding securities under an employee benefit plan of the Company and acting in such capacity, (B) a Subsidiary of the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of voting securities of the Company or (C) any other person whose acquisition of shares of voting securities is approved in advance by a majority of the Continuing Directors; or (vi) in a Title 11 bankruptcy proceeding, the appointment of a trustee or the conversion of a case involving the Company to a case under Chapter 7. In addition, the Company's restricted stock plan provides that all accrued but unpaid dividends related to unvested restricted stock shall be paid upon such time as the restricted stock vests, including upon a Change of Control.

The determination of the Compensation Committee appointed or designated by the Board of Directors to administer the restricted stock plan that any of the foregoing conditions has been met shall be

Table of Contents

binding and conclusive on all parties. The value of restricted stock awards eligible for automatic vesting in the event of a Change of Control as of January 1, 2012 is calculated by multiplying the number of shares of unvested restricted stock awards by the closing market price of our common stock on December 30, 2011 (the last trading day in fiscal 2011), which was \$34.45.

The tables set forth below quantify the additional benefits described above that would be paid to each named executive officer under the following termination scenarios, assuming a termination of employment occurred on January 1, 2012.

Termination Resulting from Other than Change in Control

Name	Severance Pay (\$)	Accelerated Vesting of Restricted Stock (\$)	Other Post-Termination Benefits and Pay (1) (\$)
Richard M. Frank (Executive Chairman)	2,000,000	2,699,502	153,082(2)
Michael H. Magusiak (President and Chief Executive Officer)	2,000,000	2,622,920	383,676(3)

- (1) This column represents the estimated costs associated with the continuation of medical benefits and deferred compensation post-termination pursuant to Messrs. Frank's and Magusiak's existing employment agreements.
- (2) This amount represents the estimated unearned costs associated with the continuation of medical benefits for Mr. Frank. Pursuant to Mr. Frank's employment agreement entered into on February 23, 2010, deferred compensation in the amount of \$250,000 would be payable to Mr. Frank in ten equal annual installments, without interest, with the first installment due upon termination of his employment for any reason or the end of the term of the agreement based on the terms set forth in such agreement. The entire amount of deferred compensation was deemed earned during the 2010 fiscal year, therefore no deferred compensation amounts are reflected in the table.
- (3) This amount represents \$246,017 in estimated costs associated with the continuation of medical benefits for Mr. Magusiak and \$137,659 of unearned deferred compensation. Pursuant to Mr. Magusiak's employment agreement entered into on February 23, 2010, deferred compensation in the amount of \$250,000 would be payable to Mr. Magusiak in certain circumstances in ten equal annual installments, without interest, with the first installment due upon the Company's termination of his employment, the end of the term of the employment agreement or a change of control based on the terms set forth in the agreement. In the event of Mr. Magusiak's resignation prior to a change of control, the agreement provides that Mr. Magusiak is entitled to a pro-rata amount of the total deferred compensation amount and post-termination health benefits based upon his continued employment through the end of the term of the agreement. As of January 1, 2012, Mr. Magusiak had earned approximately 31% of the total deferred compensation amount. This pro-rata earned amount is not reflected in the table; however, the unearned balance representing the actuarially determined present value of estimated unearned accelerated future deferred compensation benefits payable to Mr. Magusiak upon termination or resignation is reflected in the table.

Table of Contents**Termination Resulting from Change in Control**

Name	Severance Pay (\$)	Accelerated Vesting of Stock Options (\$)	Accelerated Vesting of Restricted Stock (\$)	Other Post-Termination Benefits and Pay (1) (\$)
Richard M. Frank (Executive Chairman)	3,000,000		4,055,075	153,082(2)
Michael H. Magusiak (President and Chief Executive Officer)	3,000,000		4,249,614	383,676(3)
Tiffany B. Kice (Chief Financial Officer)			291,792	
J. Roger Cardinale (Executive Vice President)			1,171,576	
Randy G. Forsythe (Executive Vice President)			823,389	

- (1) This column represents the estimated costs associated with the continuation of medical benefits and unearned deferred compensation post-termination in the event of a change in control. These amounts represent the actuarially determined present value of estimated future benefit payments utilizing the same assumptions used for GAAP financial reporting purposes.
- (2) This amount represents the estimated unearned costs associated with the continuation of medical benefits for Mr. Frank. Pursuant to Mr. Frank's employment agreement entered into on February 23, 2010, deferred compensation in the amount of \$250,000 would be payable to Mr. Frank in ten equal annual installments, without interest, with the first installment due upon termination of his employment for any reason or the end of the term of the agreement based on the terms set forth in such agreement. The entire amount of deferred compensation was deemed earned during the 2010 fiscal year, therefore no amounts are reflected in the table.
- (3) Pursuant to Mr. Magusiak's employment agreement entered into on February 23, 2010, deferred compensation in the amount of \$250,000 would be payable to Mr. Magusiak in certain circumstances in ten equal annual installments, without interest, with the first installment due upon the Company's termination of his employment, the end of the term of the employment agreement or a change of control based on the terms set forth in the agreement. In the event of Mr. Magusiak's resignation prior to a change of control, the agreement provides that Mr. Magusiak is entitled to a pro-rata amount of the total deferred compensation amount and post-termination medical benefits based upon his continued employment through the end of the term of the agreement. As of January 1, 2012, Mr. Magusiak earned approximately 31% of the total deferred compensation amount. This pro-rata earned amount is not reflected in the table; however, the estimated costs associated with the continuation of medical benefits of \$246,017 and the unearned balance of \$137,659 representing the actuarially determined present value of estimated unearned accelerated future deferred compensation benefits payable to Mr. Magusiak upon termination or resignation is reflected in the table.

Table of Contents

PROPOSAL 2:

ADVISORY VOTE ON EXECUTIVE COMPENSATION

As required by Section 14A of the Exchange Act, the Company is asking stockholders to approve, on an advisory basis, the compensation for our named executive officers disclosed in these materials. This proposal, commonly referred to as a say on pay proposal, gives our stockholders the opportunity to express their views on the compensation of our named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and our compensation program.

We are asking stockholders to approve the compensation of our named executive officers as disclosed in these materials by adopting the following advisory resolution at the 2012 annual meeting:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

At the Company's prior Annual Meeting of Stockholders held in May 2011, a substantial majority of the votes cast on the say on pay resolution were voted in favor of the resolution. The Company believes this affirms stockholders' support of the Company's approach to executive compensation.

As described in detail under Compensation Discussion and Analysis, our compensation program is designed to motivate our executives to create a successful company. We believe that our compensation program, with its balance of short-term incentives (including performance based cash bonus awards) and long-term incentives (including restricted stock that generally vests over four years) and share ownership guidelines reward sustained performance that is aligned with long-term stockholder interests. Stockholders are encouraged to read the Compensation Discussion and Analysis section of this proxy statement and the accompanying compensation tables and related narrative disclosure included in the Executive Compensation section of this proxy statement for more information regarding our compensation program.

Although this vote is non-binding, the Board of Directors and the Compensation Committee, which is comprised of independent directors, will take into account the outcome of the vote when considering future executive compensation decisions. The Company currently submits the compensation of named executive officers to an advisory vote of stockholders on an annual basis.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE COMPENSATION PAID TO THE COMPANY'S NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO ITEM 402 OF REGULATION S-K, INCLUDING THE COMPENSATION DISCUSSION AND ANALYSIS, COMPENSATION TABLES AND NARRATIVE DISCUSSION.

Table of Contents

PROPOSAL 3:

RE-APPROVAL OF THE PERFORMANCE GOALS

UNDER OUR INCENTIVE BONUS PLAN

FOR COMPLIANCE WITH INTERNAL REVENUE CODE SECTION 162(m)

We are submitting the material terms of the performance goals under the Company's Incentive Bonus Plan (Bonus Plan) to stockholders for their re-approval at this year's annual meeting. The Board of Directors has approved and is submitting the proposal to stockholders in order to maximize the tax deductibility of amounts payable under the Bonus Plan. Stockholders are not being asked to approve any amendment to the Bonus Plan or to approve the Bonus Plan itself in this Proposal 3, but are only asked to re-approve the material terms of the performance goals for compliance with Section 162(m) of the Internal Revenue Code.

Reasons For Proposal

The Company's Bonus Plan was approved by the stockholders in May 2002 and was amended in 2006. In order to allow for certain bonuses under the Bonus Plan to qualify as tax-deductible performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code, which is referred to in this Proposal as Section 162(m), the Company is asking stockholders to re-approve the material terms of the performance goals under the Bonus Plan.

The Board of Directors believes that it is in the best interests of the Company and its stockholders to continue to provide that bonuses paid to executive officers under the Bonus Plan can be deducted by the Company for federal income tax purposes. The Bonus Plan has been structured to allow bonuses paid under it to satisfy the requirements for performance-based compensation within the meaning of Section 162(m). Under Section 162(m), the federal income tax deductibility of compensation paid to the Company's Chief Executive Officer and certain other executive officers may be limited to the extent that such compensation exceeds \$1,000,000 in any year. However, compensation that satisfies the requirements for performance-based compensation as defined in Section 162(m) is not subject to this limit and, therefore, is generally deductible in full by the Company. One of the requirements of performance-based compensation for purposes of Section 162(m) is that the material terms of the performance goals under which compensation may be paid be disclosed to and approved by the Company's stockholders every five years.

For purposes of Section 162(m), the material terms include (i) the employees eligible to receive compensation, (ii) a description of the business criteria on which the performance goals are based and (iii) the maximum amount of compensation that can be paid to an employee under the performance goals. Each of these aspects is discussed in the description of the Bonus Plan below.

Description of Bonus Plan

A copy of the Bonus Plan is attached as [Appendix A](#) to this proxy statement. The description of the Bonus Plan contained herein is not intended to be complete and is qualified in its entirety by reference to Appendix A, which contains the complete text of the Bonus Plan.

Purpose. The purposes of the Bonus Plan are to reward certain employees of the Company and its subsidiaries with cash bonuses upon attainment of certain tenure with the Company and its subsidiaries or achieving certain performance goals, and to provide certain participants with incentive compensation that is not subject to the deduction limit prescribed under Section 162(m).

Table of Contents

Eligibility. All full-time employees (excluding certain field operations personnel) are eligible for bonuses under the Bonus Plan. The Compensation Committee will select the particular eligible employees to whom an incentive bonus, whether tenure based or performance based, may be awarded for a fiscal year. There are approximately 17,300 employees of the Company and its subsidiaries, including the Company's seven executive officers, who are eligible to receive awards under the Bonus Plan. Non-employee directors are not eligible to receive awards under the Bonus Plan.

Tenure Based Bonus. Participants involved in store operations at the General Manager, District Technician and Electronic Technician level are eligible for a tenure based cash bonus. Participants at the Support Center who are employed below a Manager position level are eligible for a tenure based bonus as provided in the Bonus Plan. The minimum years of service required to earn a cash bonus is three years. The dollar amount of annual tenure based bonus range from a minimum of \$250 up to a maximum of \$4,000.

Performance-Based Bonus: Maximum Bonus. Participants employed at any position ranging from Manager up to the Chief Executive Officer selected by the Compensation Committee are eligible to receive performance based bonuses. Under the performance based element of the Bonus Plan, the Compensation Committee will establish a Bonus Potential for each eligible employee no later than March 15 of the fiscal year for which the Bonus Potential is determined. The bonus payable to each participant each fiscal year may range from a high of 200% of gross base salary to a low of 10% of gross base salary, and the maximum possible bonus that could be paid to any participant in any fiscal year under the Bonus Plan is \$2,400,000. Participants will receive a bonus if the Company's comparable store sales and earnings per share results reach certain target levels established by the Compensation Committee for that fiscal year. Each participant's bonus will be equal to his or her gross base salary, times his or her Bonus Potential, times a Sales Multiplier, times an Earnings Per Share Multiplier. The Sales Multiplier will be the number one if the targeted comparable store sales results are attained. Likewise, the Earnings Per Share Multiplier will be the number one if the targeted earnings per share results are attained. The Sales Multiplier and the Earnings Per Share Multiplier will be lower or higher than the number one if the comparable store sales and the earnings per share results are lower or higher, respectively than the targeted results. In no event will a bonus be paid under the performance based portion of the Bonus Plan unless certain minimum comparable store sales and earnings per share results established by the Compensation Committee are attained. No performance based bonuses will be paid until the Compensation Committee has determined and certified in writing that the criteria has been satisfied to pay such bonuses.

Performance Goals. The business criteria for the performance goals under the performance based element of the Bonus Plan are based upon comparable store sales and earnings per share (Performance Criteria). Earnings per share may be measured on a basic or diluted earnings per share basis. The Performance Criteria may include or exclude (i) extraordinary, unusual and/or non-recurring items of gain or loss, (ii) loss contingencies and asset impairments, (iii) the effects of temporary store closures, (iv) discontinued operations, (v) acquisitions or divestitures, (vi) foreign exchange impacts, (vii) changes in tax or accounting regulations or laws, (viii) the effects of share repurchases, (ix) interest, taxes, depreciation, amortization or other financial accounting measurements or (x) other similar items, matters or occurrences. The basic or diluted earnings per share would exclude the effects of any stock split, reverse stock split or similar changes in outstanding shares without the receipt of consideration by the Company.

Administration. The Bonus Plan is administered by the Compensation Committee. The powers and duties of the Committee are specified in the Bonus Plan.

Table of Contents

Amendment; Termination. The Bonus Plan will continue in effect until amended or terminated by the Compensation Committee. The Compensation Committee may amend the Bonus Plan at any time.

New Plan Benefits

The dollar value of bonuses in the future which may be received by each person under the Bonus Plan is not determinable. However, the table set forth under the heading Summary Compensation Table sets forth the amounts that were paid to the named executive officers (excluding Mr. Forsythe) pursuant to the Bonus Plan for 2011.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RE-APPROVAL OF THE PERFORMANCE GOALS UNDER OUR INCENTIVE BONUS PLAN FOR COMPLIANCE WITH INTERNAL REVENUE CODE SECTION 162(m).

Table of Contents

PROPOSAL 4:

RE-APPROVAL OF THE PERFORMANCE GOALS

UNDER OUR 2004 RESTRICTED STOCK PLAN

FOR COMPLIANCE WITH INTERNAL REVENUE CODE SECTION 162(m)

We are submitting the material terms of the performance goals under our Third Amended and Restated 2004 Restricted Stock Plan (as amended, the Restricted Stock Plan) to stockholders for their re-approval at this year's annual meeting. The Board of Directors has approved and is submitting the proposal to stockholders in order to maximize the tax deductibility of amounts payable under the Restricted Stock Plan. Stockholders are not being asked to approve any amendment to the Restricted Stock Plan or to approve the Restricted Stock Plan itself in this Proposal 4, but are only asked to re-approve the material terms of the performance goals for compliance with Section 162(m) of the Internal Revenue Code.

Reasons For Proposal

The Restricted Stock Plan became effective in May 2004, and several amendments have been approved by stockholders. In order to allow for certain awards under the Restricted Stock Plan to qualify as tax-deductible performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code, which is referred to in this Proposal as Section 162(m), the Company is asking stockholders to re-approve the material terms of the performance goals under the Restricted Stock Plan.

The Board of Directors believes that it is in the best interests of the Company and its stockholders to continue providing an equity incentive plan under which equity-based compensation awards made to executive officers can be deducted by the Company for federal income tax purposes. The Restricted Stock Plan has been structured in a manner such that awards granted under it can satisfy the requirements for performance-based compensation within the meaning of Section 162(m). Under Section 162(m), the federal income tax deductibility of compensation paid to the Company's Chief Executive Officer and certain other executive officers may be limited to the extent that such compensation exceeds \$1,000,000 in any fiscal year. However, compensation that satisfies the requirements for performance-based compensation as defined in Section 162(m) is not subject to this limit and, therefore, is generally deductible in full by the Company. One of the requirements of performance-based compensation for purposes of Section 162(m) is that the material terms of the performance goals under which compensation may be paid be disclosed to and approved by the Company's stockholders every five years.

For purposes of Section 162(m), the material terms include (i) the employees eligible to receive compensation, (ii) a description of the business criteria on which the performance goals are based and (iii) the maximum amount of compensation that can be paid to an employee under the performance goals. Each of these aspects is discussed in the description of the Restricted Stock Plan below.

Description of the Restricted Stock Plan

A copy of the Restricted Stock Plan is attached as Appendix B to this proxy statement. The description of the Restricted Stock Plan contained herein is not intended to be complete and is qualified in its entirety by reference to Appendix B, which contains the complete text of the Restricted Stock Plan.

Table of Contents

Purpose. The purpose of the Restricted Stock Plan is to attract, retain, and reward the services of the employees of the Company and its subsidiaries and to provide such persons with a proprietary interest in the Company through the granting of restricted stock, that will (a) increase the interest of such persons in the Company's welfare, (b) furnish an incentive to such persons to continue their services to the Company and (c) provide a means through which the Company may attract able persons as employees.

Shares Subject to the Restricted Stock Plan. Subject to any adjustments made as a result of various changes in the capitalization of the Company, the aggregate number of shares of common stock which may be granted under the Restricted Stock Plan will not exceed 2,300,000 shares. Shares of common stock previously subject to awards under the Restricted Stock Plan (Awards) which are forfeited or terminated, are withheld for payment of any applicable employment taxes and/or withholding obligations or are settled in cash may be reissued pursuant to future Awards.

Eligibility. Any employee of the Company or any subsidiary whose judgment, initiative and efforts are expected to contribute to the successful performance of the Company is eligible to participate in the Restricted Stock Plan. There are approximately 17,300 employees of the Company and its subsidiaries, including the Company's seven executive officers, who are eligible to receive awards under the Restricted Stock Plan. Non-employee directors are not eligible to receive awards under the Restricted Stock Plan.

Awards. Awards may be in the form of restricted stock awards or restricted stock units. Each grant of restricted stock or restricted stock units will be evidenced by an award agreement that sets forth the number of shares, the restriction or vesting period, the date of grant, the vesting conditions, whether such award is restricted stock or restricted stock units and such other terms, provisions, and limitations that are approved by the Compensation Committee not inconsistent with the Restricted Stock Plan (Award Agreement). Restricted stock units may be settled in Company common stock or cash. Holders of restricted stock are entitled to receive dividends paid on such shares to the extent set forth in the Award Agreement, and the Committee is authorized to grant dividend equivalents on restricted stock units in the Award Agreement. Subject to certain exceptions, no Award Agreement may provide for (i) a vesting period of less than one year nor more than five years, (ii) full vesting within a period of less than three years and (iii) vesting that is more favorable than pro rata vesting over a period of three years.

Performance Awards. Awards subject to performance goals as discussed below (Performance Awards) may be granted to participants in the Restricted Stock Plan in accordance with the procedures set forth in the Restricted Stock Plan.

Limit on Performance Awards. In order to comply with the requirements of Section 162(m), no employee may receive in any calendar year Performance Awards having an aggregate value of more than \$3,000,000, based on the fair market value (as defined in the Restricted Stock Plan) of the common stock subject to the Performance Award on the date of grant.

Performance Goals. Performance Awards may be made subject to the attainment of Performance Goals relating to one or more business criteria which, where applicable, shall be within the meaning of Section 162(m) and consist of one or more or any combination of the following criteria: cash flow; cost; revenues; same store or general sales; ratio of debt to debt plus equity; net borrowing, credit quality or debt ratings; profit before tax; economic profit; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; gross margin; earnings per share (whether on a

Table of Contents

pre-tax, after-tax, operational or other basis); operating earnings; capital expenditures; expenses or expense levels; economic value added; ratio of operating earnings to capital spending or any other operating ratios; free cash flow; net profit; net sales; net asset value per share; the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions; sales growth; price of the Company's common stock; return on assets, equity or stockholders' equity; market share; inventory levels, inventory turn or shrinkage; or total return to stockholders (Performance Criteria). Any Performance Criteria may be used to measure the performance of the Company as a whole or any business unit of the Company and may be measured relative to a peer group or index. Any Performance Criteria may include or exclude (i) extraordinary, unusual and/or non-recurring items of gain or loss, (ii) gains or losses on the disposition of a business, (iii) changes in tax or accounting regulations or laws, (iv) the effect of a merger or acquisition, as identified in the Company's quarterly and annual earnings releases, or (v) other similar occurrences.

Administration. The Restricted Stock Plan is currently administered by the Compensation Committee. The Compensation Committee, in its discretion, (i) interprets the Restricted Stock Plan, (ii) prescribes, amends, and rescinds any rules and regulations necessary or appropriate for the administration of the Restricted Stock Plan and (iii) makes such other determinations and takes such other actions as it deems necessary or advisable in the administration of the Restricted Stock Plan. The Compensation Committee, and any other committee that may subsequently administer the Restricted Stock Plan, must consist of at least two members of the Board of Directors, each of which exhibit the independence necessary to comply with applicable securities laws, the listing standards of the New York Stock Exchange, Section 162(m), and the Treasury Regulations promulgated thereunder, and any other applicable law, as necessary.

Changes in Capital Structure. In the event of any change in the capital structure of the Company, including but not limited to a change resulting from a stock dividend, stock split, combination, or exchange of shares of common stock, or other increase or decrease in such shares of common stock effected without receipt of consideration by the Company, then the number of shares of common stock subject to the Restricted Stock Plan, the maximum number of shares that may be granted to each participant and the number of such shares subject to forfeiture restrictions, or that are unvested or unissued, under each Award granted under the Restricted Stock Plan will be appropriately adjusted by the Compensation Committee.

Merger, Consolidation or Share Exchange. If the Company is the surviving or resulting corporation in any merger, consolidation or share exchange, any Awards granted under the Restricted Stock Plan shall pertain to and apply to the securities or rights (including cash, property, or assets) to which a holder of the number of shares of common stock subject to the Awards would have been entitled. Except as discussed below, in the event of a merger, consolidation or share exchange in which the Company is not the surviving or resulting corporation, then for each share of common stock subject to the outstanding Awards there will be substituted that number of shares of each class of stock or other securities or that amount of cash, property, or assets of the surviving, resulting or consolidated company which were distributed or distributable to the stockholders of the Company in respect to each share of common stock held by them and the outstanding Awards will be applicable to such stock, securities, cash, or property in accordance with their terms. However, all Awards may also be canceled by the Company as of the effective date of any such reorganization, merger, consolidation, or share exchange as provided in the Restricted Stock Plan by giving notice to each holder thereof and by permitting the purchase by the Company during the thirty (30) day period next preceding such effective date of all of the shares of common stock subject to such outstanding Awards at a price equal to the fair market value (as defined in the Restricted Stock Plan) of such shares on the date of purchase.

Table of Contents

Sale of Assets or Dissolution. In case the Company, at any time while any Award under the Restricted Stock Plan is in force and remains unexpired, (i) sells all or substantially all of its property, or (ii) dissolves, liquidates, or winds up its affairs, then each employee participating in the Restricted Stock Plan will thereafter be entitled to receive, in lieu of each share of common stock of the Company in which the employee is vested, pursuant to the terms of the individual's Award Agreement, the same kind and amount of any securities or assets as may be issuable, distributable, or payable upon any such sale, dissolution, liquidation, or winding up with respect to each share of common stock of the Company. Notwithstanding the foregoing, the Compensation Committee may, in its discretion accelerate the vesting of any individual's Award in connection with any such sale, dissolution, liquidation, or winding up.

Change of Control. If a Change of Control (as defined in the Restricted Stock Plan) of the Company occurs, then Awards outstanding under the Restricted Stock Plan that are not otherwise vested will automatically vest, even though certain conditions otherwise provided for in the Restricted Stock Plan or Award Agreements have not been satisfied at the time of the Change of Control.

Changes in Restricted Stock Plan. The Board of Directors or the Compensation Committee may at any time and from time to time, without the consent of the employees participating in the Restricted Stock Plan, alter, amend, revise, suspend, or discontinue the Restricted Stock Plan in whole or in part; provided, however, that any amendment to the Restricted Stock Plan must be approved by the stockholders of the Company if the amendment would (a) materially increase the aggregate number of shares of common stock which may be issued under the Restricted Stock Plan, (b) materially modify the requirements as to eligibility for participation in the Restricted Stock Plan, (c) materially increase the benefits accruing to employees under the Restricted Stock Plan, or (d) require stockholder approval under a securities exchange or applicable law. Further, unless required by law, no amendment or revision of the Restricted Stock Plan by the Board of Directors or the Compensation Committee will adversely affect any rights of an employee participating in the Restricted Stock Plan concerning any Awards previously granted without the consent of the affected employee. To the extent that any regulations or other guidance issued under Section 409A of the Internal Revenue Code after the effective date of the Restricted Stock Plan would result in a participant being subject to payment of interest and tax penalty under Section 409A, the Committee may amend the Restricted Stock Plan or any Award Agreement, without the participant's consent, in order to avoid the application of, or to comply with the requirements of, Section 409A; provided, however, that the Company makes no representation to participants regarding the application or future application of, or compliance with, Section 409A.

Termination. The Restricted Stock Plan terminates on December 31, 2014, and no award may be granted after such date; provided, however, any awards granted before that date will continue to be effective in accordance with the terms and conditions of the respective Award Agreements.

New Plan Benefits

The Awards, if any, that may be granted in the future to participants under the Restricted Stock Plan are subject to the discretion of the Compensation Committee and, therefore, are not determinable at this time.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RE-APPROVAL OF THE PERFORMANCE GOALS UNDER OUR 2004 RESTRICTED STOCK PLAN FOR COMPLIANCE WITH INTERNAL REVENUE CODE SECTION 162(m).

Table of Contents**DIRECTOR COMPENSATION**

In 2011, the non-employee directors received a retainer of \$20,000, \$3,000 per regularly scheduled Board meeting for attendance (in person or telephonically), \$2,500 per specially called meeting of the Board, for which attendance is requested in person or telephonically to address a significant issue outside of the normal course of business, and \$1,250 per specially called committee meeting, for which attendance is requested in person or telephonically to address a significant issue outside of the normal course of business. In 2011, the Lead Independent Director received an additional retainer of \$12,500 and the chairpersons of the committees of the Board received the following additional retainers: Audit Committee Chair: \$10,000; Compensation Committee Chair: \$5,000; and Nominating/Corporate Governance Committee Chair: \$2,500.

In addition, the Company's non-employee directors are entitled to receive grants of restricted stock awards under the Company's Second Amended and Restated Non-Employee Directors Restricted Stock Plan. On the day a non-employee director is first elected or appointed to the Board of Directors, such non-employee director is granted a restricted stock award for the number of shares of common stock having a fair market value (as defined in the Second Amended and Restated Non-Employee Directors Restricted Stock Plan) as of the date of grant equal to \$100,000 multiplied by a fraction the numerator of which is the number of days until the date of the next annual grant and the denominator of which is 365. Each January thereafter, a non-employee director who was previously elected to the Board of Directors and who continues to serve in such capacity shall be granted a restricted stock award during each year of service on the Board for the number of shares of common stock having a fair market value (representing the average of the closing prices of the common stock as reported by the New York Stock Exchange for the five trading day period ending on and including the date of the stock award) as of the date of grant equal to \$100,000. Each restricted stock award vests on each anniversary date of the award with respect to 25% of the amount of the grant for four (4) consecutive anniversary dates so that the restricted stock award is fully vested at the end of the fourth (4th) anniversary date of the date of grant. If a non-employee director ceases to be a director for any reason other than death prior to the fourth (4th) anniversary date of grant of a restricted stock award, such unvested shares will be forfeited; provided, however, if a non-employee director ceases to be a director because of voluntary retirement after a lengthy period of service or because of health reasons, the non-employee directors, excluding the affected non-employee director, will consider whether or not to vest in full the affected non-employee director's restricted stock that was awarded at least one year prior to the affected non-employee director's cessation of board service. On April 26, 2011, the Board of Directors approved the acceleration of vesting for 5,513 shares of restricted stock held by Mr. McDowell when he voluntarily retired from the Board after a lengthy period of service, in accordance with the provisions set forth in the Second Amended and Restated Non-Employee Directors Restricted Stock Plan. If a non-employee director ceases to be a director due to death, then all of such non-employee director's restricted stock awards will immediately vest in full. Other directors, who are either officers or employees of the Company or its affiliates, do not receive separate compensation for their services as directors of the Company. The following table sets forth information concerning compensation to each non-employee director of the Company during fiscal 2011:

Table of Contents**Director Compensation for Fiscal 2011**

Name (1)	Fees Earned or		Total (\$)
	Paid in Cash (\$) (2)	Stock Awards (\$) (3)	
General (ret) Tommy Franks	35,000	99,717	134,717
Larry T. McDowell (4)	15,000	99,717	114,717
Tim T. Morris	35,000	99,717	134,717
Louis P. Neeb	37,500	99,717	137,217
Cynthia Pharr Lee	35,000	99,717	134,717
Bruce M. Smokey Swenson (5)	24,000	57,311	81,311
Walter Tyree	35,000	99,717	134,717
Raymond E. Wooldridge	52,500	99,717	152,217

- (1) Messrs. Frank and Magusiak have been excluded from this table because each of their compensation is fully reflected in the Summary Compensation Table for executive officers. The non-employee directors had the following outstanding equity awards at the end of the 2011 fiscal year:

Name	Option Awards		Stock Awards
	Number of Shares Exercisable (#)	Number of Shares Unexercisable (#)	Number of Shares Unvested (#)
General (ret) Tommy Franks			7,543
Larry T. McDowell			
Tim T. Morris	7,500		7,920
Louis P. Neeb	7,500		7,920
Cynthia Pharr Lee	7,500		7,920
Bruce M. Smokey Swenson			1,479
Walter Tyree	7,500		7,920
Raymond E. Wooldridge	7,500		7,920

The Company discontinued issuing stock options to its non-employee directors in 2005 and began granting restricted stock awards in 2006.

- (2) This column reports the amount of cash compensation earned in 2011 for Board of Directors and committee service.
- (3) This column represents the grant date fair value of restricted stock awarded under the Company's Second Amended and Restated Non-Employee Directors Restricted Stock Plan computed in accordance with FASB ASC Topic 718 which is calculated by multiplying the number of shares of restricted stock awarded by the closing market price of our common stock on the date of grant.
- (4) Mr. McDowell served as a non-employee director of the Company from January 2011 through April 2011.
- (5) Mr. Swenson has served as a non-employee director of the Company since June 2011.

Table of Contents**SECURITY OWNERSHIP**

The following table sets forth information, as of March 5, 2012, relating to the beneficial ownership of the Company's common stock by: (i) each director and named executive officer, (ii) the directors and the executive officers as a group (14 persons) as of such date, and (iii) each person, as that term is used in the Securities Exchange Act of 1934, as amended (the Exchange Act), known to the Company to own beneficially five percent (5%) or more of the outstanding shares of common stock. Unless otherwise indicated, to the Company's knowledge, each stockholder has sole voting and dispositive power with respect to the securities beneficially owned by that stockholder. Except as otherwise indicated, all stockholders set forth below have the same principal business address as the Company. On the record date, there were 18,085,198 shares of the Company's common stock outstanding. Information as to the beneficial ownership of common stock by directors and executive officers has been furnished by the respective directors and executive officers.

Name (and address for 5% beneficial owners)	Number of Shares of Common Stock		Percentage of Outstanding Common Stock
Richard M. Frank	322,966	(A)	1.8%
Michael H. Magusiak	364,610		2.0%
J. Roger Cardinale	107,784		*
Randy G. Forsythe	50,043		*
Tiffany B. Kice	16,319		*
General (ret) Tommy Franks	13,411		*
Tim T. Morris	23,474		*
Louis P. Neeb	22,763		*
Cynthia Pharr Lee	12,200		*
Bruce M. Smokey Swenson	4,374		*
Walter Tyree	19,475		*
Raymond E. Wooldridge	45,184		*
Directors and Executive Officers as a Group	1,018,857		5.6%
American Century Investment Management, Inc.	1,116,549	(B)	6.2%
4500 Main Street, 9 th Floor			
Kansas City, Missouri 64111			
BlackRock, Inc.	1,458,693	(C)	8.1%
40 East 52 nd Street			
New York, New York 10022			
FMR LLC	2,879,365	(D)	15.9%
82 Devonshire Street			
Boston, Massachusetts 02109			
The Vanguard Group, Inc.	1,058,610	(E)	5.9%
100 Vanguard Boulevard			
Malvern, Pennsylvania 19355			
Wellington Management Company, LLP	1,024,619	(F)	5.7%

280 Congress Street

Boston, Massachusetts 02210

* Constitutes less than 1% of the Company's outstanding common stock.

Table of Contents

- (A) This number also includes 50,621 shares beneficially owned by Richard M. Frank Revocable Trust, 25,000 shares beneficially owned by Frank Family Trust A2, 57 shares beneficially owned under the Company's 401(k) Plan, 11,100 shares beneficially owned by Frank Group, LLC and 236,188 shares directly owned by Mr. Frank. Mr. Frank has sole voting power and sole dispositive power over all 322,966 shares.
- (B) Based on information set forth on Schedule 13G, filed with the Securities and Exchange Commission (the Commission) on February 10, 2012 (the American Century Schedule 13G). The American Century Schedule 13G indicates that 1,116,549 shares are beneficially owned by Stowers Institute for Medical Research, American Century Companies, Inc. and American Century Investment Management, Inc. which have sole voting power over 1,075,449 shares and sole dispositive power over 1,116,549 shares.
- (C) Based on information set forth in Schedule 13G Amendment No. 2, filed with the Commission on February 13, 2012 (the BlackRock Schedule 13G). The Blackrock Schedule 13G indicates that 1,458,693 shares are beneficially owned by BlackRock, Inc., who has sole voting and dispositive power over all of the shares.
- (D) Based on information set forth in Schedule 13G Amendment No. 10, filed with the Commission on February 14, 2012 (the FMR Schedule 13G). The FMR Schedule 13G indicates that 2,879,365 shares are beneficially owned by FMR and its affiliates, who have sole voting power over 22,550 shares and sole dispositive power over 2,879,365 shares.
- (E) Based on information set forth in Schedule 13G Amendment No. 2, filed with the Commission on February 10, 2012 (the Vanguard Schedule 13G). The Vanguard Schedule 13G indicates that 1,058,610 shares are beneficially owned by The Vanguard Group who has sole voting power over 29,302 shares, sole dispositive power over 1,029,308 shares and shared dispositive power over 29,302 shares.
- (F) Based on information set forth in Schedule 13G, filed with the Commission on February 14, 2012 (the Wellington Schedule 13G). The Wellington Schedule 13G indicates that 1,024,619 shares are beneficially owned by Wellington Management Company, LLP who has shared voting power over 761,719 shares and shared dispositive power over 1,024,619 shares.

Table of Contents

**PROPOSAL 5:
RATIFICATION OF THE APPOINTMENT
OF DELOITTE & TOUCHE LLP AS OUR
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
FOR THE 2012 FISCAL YEAR**

In accordance with its charter, the Audit Committee has selected the firm of Deloitte & Touche LLP, an independent registered public accounting firm, to be the Company's auditors for the 2012 fiscal year. Deloitte & Touche LLP also served in this capacity for the 2011 fiscal year. Its representatives will be present at the annual meeting and will have an opportunity to make a statement and be available to respond to appropriate questions.

Our Board of Directors has ratified the decision of the Audit Committee to appoint Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for the year ending December 30, 2012. Although we are not required to seek stockholder approval of this appointment, it has been our practice to do so. No determination has been made as to what action the Audit Committee and the Board of Directors would take if our stockholders fail to ratify the appointment. Even if the appointment is ratified, the Audit Committee retains discretion to appoint a new independent registered public accounting firm at any time if the Audit Committee concludes such a change would be in the best interests of the Company.

THE AUDIT COMMITTEE, WITH THE ENDORSEMENT OF THE BOARD OF DIRECTORS, HAS APPROVED THE APPOINTMENT OF THE ABOVE IDENTIFIED ACCOUNTING FIRM AND UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2012 FISCAL YEAR.

Table of Contents**AUDIT COMMITTEE DISCLOSURE**

The Audit Committee currently consists of five directors, each of whom is independent as defined by the listing standards of the New York Stock Exchange and the rules and regulations of the Securities and Exchange Commission and two of whom, Bruce M. Smokey Swenson and Tim T. Morris, are audit committee financial experts as defined under the rules of the Securities and Exchange Commission. The Audit Committee provides assistance to the directors in fulfilling their responsibility to the stockholders, potential stockholders, and investment community relating to corporate accounting, reporting practices of the Company, and the quality and integrity of the financial reports of the Company.

Audit Committee Pre-Approval Policy

The Audit Committee has not established a pre-approval policy for audit, audit-related and tax services that can be performed by the independent registered public accounting firm. Each engagement to perform audit, audit-related or tax services must receive specific authorization from the Audit Committee.

Service Fees Billed in 2011 and 2010 by the Independent Registered Public Accounting Firm

The firm of Deloitte & Touche LLP was the independent registered public accounting firm for the audit of the Company's annual consolidated financial statements included in the Company's annual report on Form 10-K, the review of the consolidated financial statements included in the Company's quarterly reports on Form 10-Qs and for services that are normally provided by accountants in connection with statutory and regulatory filings or engagements for the fiscal years ended January 1, 2012 and January 2, 2011. The following table presents fees billed or expected to be billed for professional services rendered by Deloitte & Touche LLP for the audit of the Company's annual consolidated financial statements, audit-related services, tax services and all other services rendered by Deloitte & Touche LLP for the Company's 2011 and 2010 fiscal years:

Type of Fees	Fiscal 2011	Fiscal 2010
Audit fees (a)	\$ 560,030	\$ 661,579
Audit-related fees (b)		
Tax fees (c)		
All other fees (d)		
Total	\$ 560,030	\$ 661,579

- (a) Audit fees are fees billed by Deloitte & Touche LLP for professional services rendered for the audit of the Company's annual consolidated financial statements (including services incurred with rendering an opinion under Section 404 of the Sarbanes-Oxley Act of 2002) included in the Company's Form 10-K, the review of the Company's quarterly consolidated financial statements included in the Company's Form 10-Qs, and includes fees for services that are normally incurred in connection with statutory and regulatory filings or engagements, such as consents, comfort letters, statutory audits, attest services and review of documents filed with the Securities and Exchange Commission.
- (b) Audit-related fees are fees billed by Deloitte & Touche LLP for assurance services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements or other attestation services or consultations that are not reported under audit fees.

Table of Contents

(c) Tax fees are fees billed by Deloitte & Touche LLP for professional services rendered for tax compliance, tax planning and tax advice.

(d) All other fees are fees billed by Deloitte & Touche LLP for any professional services not included in the first three categories. All audit services, audit related services, and other services were pre-approved by the Audit Committee, which concluded that the provision of such services by Deloitte & Touche LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

The Audit Committee has selected the firm of Deloitte & Touche LLP to be the Company's auditors for the 2012 fiscal year. Representatives of Deloitte & Touche LLP will be present at the annual meeting and will have an opportunity to make a statement and be available to respond to appropriate questions.

Table of Contents

AUDIT COMMITTEE REPORT

The Audit Committee is composed of independent non-employee directors as required by and in compliance with the listing standards of the New York Stock Exchange and the rules and regulations of the Securities and Exchange Commission. The Audit Committee operates pursuant to a written charter adopted by the Board of Directors which may be accessed on the Company's website at www.chuckecheese.com under Company Info Investor Information.

The Audit Committee serves as the representative of the Board of Directors for general oversight of the Company's financial accounting and reporting process, system of internal control, audit process, policies addressing risk assessment and risk management and process for monitoring compliance with applicable laws and regulations and the Company's Complaint and Reporting Procedures for Accounting and Auditing Matters. The Company's management has primary responsibility for preparing the Company's financial statements and the Company's financial reporting process. The Company's independent registered public accountants, Deloitte & Touche LLP, are responsible for expressing an opinion on the conformity of the Company's audited consolidated financial statements to accounting principles generally accepted in the United States.

In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited consolidated financial statements and Management's Report on Internal Control over Financial Reporting with the Company's management.
2. The Audit Committee has reviewed and discussed interim consolidated financial information contained in each quarterly earnings report.
3. The Audit Committee has met with senior management, internal auditors and the Company's independent registered public accountants with and without management present to discuss the results of the Company's independent audit and adequacy of internal controls.
4. The Audit Committee has reviewed with the Company's independent registered public accountants and internal auditor the Company's audit plans, audit scope and identification of audit risks.
5. The Audit Committee, in accordance with its charter, has authorized the reappointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2012 fiscal year.
6. The Audit Committee has discussed with the independent registered public accountant the matters required to be discussed pursuant to Public Company Accounting Oversight Board AU 380 (Communication with Audit Committees).
7. The Audit Committee has received the written disclosures and the letter from the independent registered public accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accountant's communications with the audit committee concerning independence, and has discussed with the independent registered public accountant the independent registered public accountant's independence.

Table of Contents

8. Based on the review and discussion referred to in paragraphs (1) through (7) above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, the inclusion of the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2012, for filing with the Securities and Exchange Commission.

Bruce M. Smokey Swenson, Chairman

Tim T. Morris

Louis P. Neeb

Cynthia Pharr Lee

Raymond E. Wooldridge

This Audit Committee Report is not soliciting material, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, regardless of date or any general incorporation language in such filing.

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company's Code of Business Conduct and Ethics provides that employees, officers and directors must act in the best interests of the Company and refrain from engaging in any activity or having a personal interest that presents a conflict of interest. In addition, under applicable Securities and Exchange Commission rules, the Company is required to disclose related person transactions as defined in the Securities and Exchange Commission's rules. The Code of Business Conduct and Ethics may be accessed on the Company's website at www.chuckecheese.com under Company Info Investor Information. We intend to disclose future amendments to or, with respect to directors and certain executive officers, waivers from, certain provisions of the Code of Business Conduct and Ethics on our website.

Related Party Transaction Policy

The Board of Directors has adopted a Related Party Transaction Policy to set forth in writing the policies and procedures for review and approval of transactions involving the Company and related parties (directors, executive officers, securityholders owning five percent or greater of the Company's outstanding voting securities, and immediate family members of the foregoing persons). The policy covers any related party transaction that meets the minimum threshold for disclosure in the proxy statement under the relevant Securities and Exchange Commission rules, generally transactions involving amounts exceeding \$120,000 in which a related party had, has or will have a direct or indirect material interest.

Policy

Related party transactions must be approved by the Audit Committee (a committee of the Board of Directors consisting solely of independent directors), or by the Chairman of the Audit Committee under authority delegated to the Chairman of the Audit Committee by the Audit Committee.

A related party transaction will be approved only if the Audit Committee or the Chairman of the Audit Committee determines that it is fair to the Company and in, or not inconsistent with, the best interests of the Company and its stockholders.

In considering the transaction, the Chairman or the Audit Committee will consider all relevant facts and circumstances of the transaction or proposed transaction with a related party.

Procedures

The affected related party will bring the matter to the attention of the General Counsel.

The General Counsel will determine whether the matter should be considered by the Audit Committee or its Chairman.

If a member of the Audit Committee is involved in the transaction, he or she will be recused from all discussions and decisions about the transaction.

Table of Contents

The transaction must be approved in advance by the Audit Committee or its Chairman whenever practicable, and if not practicable, it may be presented to the General Counsel for preliminary approval, or be preliminarily entered into, subject to ratification by the Audit Committee or its Chairman.

If the Audit Committee or its Chairman does not ratify the related party transaction, the Company will take all reasonable efforts or actions to amend, terminate or cancel it, as directed by the Audit Committee or its Chairman.

All related party transactions will be disclosed to the Board of Directors following their approval or ratification. Currently, there are no related party transactions which meet the requirements for review and approval under our policy.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors and the persons who own more than ten percent of our common stock to file initial reports of ownership of common stock and reports of changes of ownership with the Securities and Exchange Commission. Based solely on a review of copies of such reports and written representations from the reporting persons, we believe that the above referenced persons complied with all applicable Section 16(a) filing requirements on a timely basis during 2011, except for General (ret) Tommy Franks. General (ret) Franks did not timely file a Form 4 for a transaction occurring in January 2011, but such form was subsequently filed.

HOUSEHOLDING OF STOCKHOLDER MATERIALS

Stockholders who share the same last name and address may receive only one copy of the Notice Regarding the Availability of Proxy Materials and any other proxy materials we choose to mail unless we receive contrary instructions from any stockholder at that address. This is referred to as householding. If you prefer to receive multiple copies of the Notice Regarding the Availability of Proxy Materials, and any other proxy materials that we mail, at the same address, additional copies will be provided to you promptly upon written or oral request, and if you are receiving multiple copies of the Notice Regarding the Availability of Proxy Materials and other proxy materials, you may request that you receive only one copy. Please address written requests for a copy of the Notice Regarding the Availability of Proxy Materials to our Secretary, Meredith W. Bjorck, at CEC Entertainment, Inc., 4441 West Airport Freeway, Irving, Texas 75062, or make an oral request by calling her at (972) 258-5499.

If your shares are not registered in your own name, you can request additional copies of the Notice Regarding the Availability of Proxy Materials and any other proxy materials we mail or you can request householding by notifying your broker, bank or other nominee in whose name your shares are registered.

Table of Contents

STOCKHOLDER PROPOSALS FOR THE 2013 ANNUAL MEETING OF STOCKHOLDERS

Any stockholder who wishes to have a qualified proposal considered for inclusion in our proxy statement for our 2013 annual meeting must send notice of the proposal to our Secretary, Meredith W. Bjorck, at our principal executive office not later than November 19, 2012. If you make such a proposal, you must provide your name, address, the number of shares of common stock you hold of record of beneficially, the date or dates on which such common stock was acquired and documentary support for any claim of beneficial ownership.

Notice of any director nomination or other stockholder proposal that you intend to present at the 2013 annual meeting of stockholders, but do not intend to have included in our proxy statement relating to, and for consideration at, the 2013 annual meeting of stockholders, must be received at our principal executive offices not earlier than the close of business on January 1, 2013 and not later than the close of business on January 31, 2013. In addition, your notice must set forth the information required by the Company's Amended and Restated Bylaws with respect to each director nomination or other proposal that you intend to present at the 2013 annual meeting of stockholders.

OTHER MATTERS

The Board of Directors is not presently aware of any other matters or business other than that which is described above to be presented to the stockholders for action at the annual meeting. In the event that other business comes before the annual meeting, votes may be cast pursuant to proxies in respect to any such business in the best judgment of the persons acting under the proxies. Stockholders who do not expect to attend the meeting are urged to vote by Internet, telephone, or by mail. The instructions included with the proxy card describe how to vote by Internet or telephone. Of course, if you prefer, you can vote through the mail service by completing the proxy card and returning it in the enclosed postage-paid envelope.

By Order of the Board of Directors,

/s/ MEREDITH W. BJORCK

MEREDITH W. BJORCK

Secretary

Irving, Texas

March 19, 2012

Table of Contents

Annex A

CEC Entertainment, Inc.

Incentive Bonus Plan

(As Amended Effective February 28, 2012)

On February 27, 2006, the Compensation Committee of the Board of Directors (the Committee) of CEC Entertainment, Inc. (the Company) adopted the Company's Incentive Bonus Plan (the Plan), which was approved by the Company's stockholders at the annual meeting of stockholders held on May 18, 2006. On February 28, 2012, the Committee amended the Plan in accordance with the following terms and conditions:

1. **Purpose:** The purpose of the CEC Entertainment, Inc. Incentive Bonus Plan is to reward employees of the Company and its subsidiaries with cash bonuses when certain tenure with the Company or certain pre-established and objective performance criteria for the Company have been attained. The Plan is intended to provide certain participants who are covered employees, as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), with incentive compensation which is not subject to the deduction limitation prescribed under Section 162(m) of the Code and should be construed to the extent possible as providing compensation to such covered employees which is performance-based compensation within the meaning of Section 162(m) of the Code and treasury regulations promulgated thereunder.

2. **Definitions:**
 - (a) **Base Salary** means the annualized rate of base salary for the Fiscal Year.

 - (b) **Committee** means the Compensation Committee of the Board of Directors of the Company, which shall consist of two or more outside directors within the meaning of Section 162(m) of the Code.

 - (c) **Company** means CEC Entertainment, Inc., a Kansas corporation.

 - (d) **Covered Employee** shall mean any Participant who is a covered employee, as defined in Section 162(m) of the Code.

 - (e) **Eligible Employee** shall mean any full time employee of the Company or any Subsidiary, excluding certain field operations personnel.

 - (f) **Fiscal Year** shall mean the fiscal year of the Company.

 - (g) **Participant** means any Eligible Employee who is selected by the Committee to participate in the Plan for a particular Fiscal Year.

 - (h) **Plan** means the CEC Entertainment, Inc. Incentive Bonus Plan, as amended, and as it may be amended from time to time hereafter.

- (i) Subsidiary means (i) any corporation in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing a majority of the total combined voting power of

A-1

Table of Contents

all classes of stock in one of the other corporations in the chain, (ii) any limited partnership if the Company or any corporation described in item (i) above owns a majority of the general partnership interest and a majority of the limited partnership interests entitled to vote on the removal and replacement of the general partner, and (iii) any partnership or limited liability company if the partners or members thereof are composed only of the Company, any corporation listed in item (i) above or any limited partnership listed in item (ii) above. Subsidiaries means more than one of any such corporations, limited partnerships, partnerships, or limited liability companies.

3. **Administration:** The Plan shall be administered by the Committee. For each Fiscal Year, the Committee shall have full authority to (i) designate the Eligible Employees who shall participate in the Plan, (ii) establish the performance criteria for Participants, and (iii) certify in writing the achievement of the performance criteria. The Committee shall have the power, in its discretion, to take such actions as may be necessary to carry out the provisions and purposes of this Plan and shall have the authority to construe and interpret the Plan and to construe and interpret the achievement of the performance criteria, to supply omissions therein, to reconcile and correct any errors or inconsistencies, to decide any questions in the administration and application of the Plan, to make equitable adjustments for any mistakes or errors made in the administration of the Plan, and to adjust the bonus calculation for any material unusual transaction that occurs outside of the normal, regular course of business, provided, however, in the case of Covered Employees, the Committee shall have no discretion to take any actions or make any adjustments which would increase the amount of compensation payable to a Covered Employee that would otherwise be due as provided for in Section 6 hereof and otherwise would not be permitted under Section 162(m) of the Code, but the Committee shall have discretion to decrease any such amount. In construing the Plan and exercising its power under provisions requiring the Committee's approval, the Committee shall attempt to ascertain the purpose of the provisions in question, and when the purpose is known or reasonably ascertainable, the purpose shall be given effect to the extent feasible. All such actions or determinations made by the Committee, in good faith, shall not be subject to review by anyone but shall be final, binding and conclusive on all persons ever interested hereunder.

4. **Eligibility:** The Committee shall select the particular Eligible Employees to whom an incentive bonus, whether it be tenure based or performance based, may be awarded for a Fiscal Year.

5. **Tenure Based Bonus:** Participants involved in store operations at the General Manager, District Technician and Electronic Technician level are eligible for a tenure based cash bonus. Participants at the Support Center who are below the level of Manager are eligible for a tenure based cash bonus. Participants entitled to a tenure based bonus must be employed a certain minimum number of years by the Company before they can become entitled to a tenure based cash bonus. The minimum years of service required to earn a cash bonus is 3 years. Thereafter, tenure is rewarded at the following intervals: 5 years, 10 years, 20 years and 30 years. The dollar amount of annual tenure based cash bonus range from a minimum of \$250 up to a maximum of \$4,000.

6. **Performance Based Bonus:** The performance based element of the Plan is applicable to Participants employed by the Company in any position ranging from Manager level up to the Chief Executive Officer. The performance criteria in the Plan is based upon comparable store

Table of Contents

sales and earnings per share results for the applicable Fiscal Year performance period. The bonuses will be in an amount equal to a specified percentage of the Participants' Base Salaries. The Committee will establish a Bonus Potential for each Participant no later than March 15 of the Fiscal Year for which the Bonus Potential is determined, so long as the Fiscal Year is the calendar year; otherwise, no later than 90 days after the commencement of the Fiscal Year, or for a Fiscal Year of less than 12 months, within the first 25% of such Fiscal Year. For 2012 and thereafter, the Bonus Potential may range from a high of 200% of Base Salary to a low of 10% of Base Salary, and the maximum possible bonus that could be paid under the Plan to any Participant in any Fiscal Year is \$2,400,000. Participants will receive a Bonus Payout if the Company's comparable store sales and earnings per share results reach certain target levels established by the Committee. The Participants' Bonus Payout will be equal to their Base Salary, times their Bonus Potential, times a Sales Multiplier, times an Earnings Per Share Multiplier, subject to the maximum possible bonus. The Sales Multiplier will be the number one if the targeted comparable store sales results are attained. Likewise, the Earnings Per Share Multiplier will be the number one if the targeted earnings per share results are attained. The Sales Multiplier and Earnings Per Share Multiplier will be lower or higher than the number one if the comparable store sales and earnings per share results are lower or higher, respectively, than the targeted result. In no event will a bonus be paid under the performance based portion of the Plan unless certain minimum comparable store sales and earnings per share results established by the Committee are attained.

7. Timing of Bonus Payments: Bonuses shall be paid within 6 weeks following the end of the Fiscal Year for which they are earned, or if later, as soon as the Committee and the Company are able to properly calculate and process the payments, but in no event later than December 31 of the Fiscal Year immediately following the Fiscal Year for which they are earned. Subject to the foregoing, no performance based bonuses shall be paid until the Committee has determined and certified in writing that the criteria has been satisfied to pay such bonuses.

8. Other Provisions: An individual must be employed by the Company at the time bonuses are paid to be entitled to the bonus, although the Committee may make exceptions to this requirement in its sole discretion. Participants hired during the Fiscal Year will have their bonuses prorated based on their hire date. If a Participant is promoted during the Fiscal Year, their bonus will be prorated based on their employment time at each appropriate level.

9. Amendment and Termination of the Plan: The Plan shall continue in effect until amended or terminated by the Committee. The Committee may amend the Plan at any time.

Table of Contents

Annex B

CEC ENTERTAINMENT, INC.

THIRD AMENDED AND RESTATED 2004 RESTRICTED STOCK PLAN

The CEC Entertainment, Inc. 2004 Restricted Stock Plan (hereinafter called the Plan as amended, from time to time) was adopted by the Board of Directors of CEC Entertainment, Inc., a Kansas corporation (hereinafter called the Company), on March 29, 2004, became effective in 2004 as of the date the Plan was approved by the stockholders of the Company, and was amended by the Board of Directors of the Company on April 17, 2007 and became effective in 2007 as of the date the amendments to the Plan were approved by the stockholders of the Company. Further amendments to the Plan were approved by the Board of Directors of the Company on April 15, 2008 and on February 24, 2009, and became effective as of the date the respective amendments to the Plan were approved by the stockholders of the Company. Additional amendments to the Plan, which did not require stockholder approval became effective on May 8, 2009, the date such amendments were approved by the Compensation Committee of the Board of Directors of the Company. The amendments to the Plan, as reflected in this amendment and restatement of the Plan, were approved by the Board of Directors of the Company on February 23, 2010, and will become effective upon the approval of the stockholders of the Company.

ARTICLE 1

PURPOSE

The purpose of the Plan is to attract, retain, and reward the services of the employees of the Company and its Subsidiaries and to provide such persons with a proprietary interest in the Company through the granting of restricted stock and rights to receive restricted stock, that will:

- (a) increase the interest of such persons in the Company's welfare;
- (b) furnish an incentive to such persons to continue their services to the Company; and
- (c) provide a means through which the Company may attract able persons as employees.

ARTICLE 2

DEFINITIONS

For the purpose of the Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

2.1 Award means a Restricted Stock Award or a Restricted Stock Unit.

2.2 Award Agreement means the written document evidencing the grant of an Award executed by the Company, including any amendments thereto. Each Award Agreement shall be subject to the terms and conditions of the Plan and need not be executed by the Participant receiving the Award pursuant to the Agreement.

2.3 Board means the Board of Directors of the Company.

Table of Contents

2.4 **Change of Control** means any of the following: (i) any consolidation, merger or share exchange of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted into cash, securities or other property, other than a consolidation, merger or share exchange of the Company in which the holders of the Company's Common Stock immediately prior to such transaction have the same proportionate ownership of Common Stock of the surviving corporation immediately after such transaction; (ii) any sale, lease, exchange or other transfer (excluding transfer by way of pledge or hypothecation) in one transaction or a series of related transactions, of all or substantially all of the assets of the Company; (iii) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; (iv) the cessation of control (by virtue of their not constituting a majority of directors) of the Board by the individuals (the Continuing Directors) who were members of the Board for the immediately preceding two (2) years (unless the election, or the nomination for election by the Company's stockholders, of each new director was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such a period); (v) the acquisition of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, as defined in Section 2.13) of an aggregate of 30% of the voting power of the Company's outstanding voting securities by any person or group (as such term is used in Rule 13d-5 under the Exchange Act, as defined in Section 2.13) who beneficially owned less than 15% of the voting power of the Company's outstanding voting securities on the date of this Plan, or the acquisition of beneficial ownership of an additional 15% of the voting power of the Company's outstanding voting securities by any person or group who beneficially owned at least 15% of the voting power of the Company's outstanding voting securities on the date of this Plan, provided, however, that notwithstanding the foregoing, an acquisition shall not constitute a Change of Control hereunder if the acquirer is (A) a trustee or other fiduciary holding securities under an employee benefit plan of the Company and acting in such capacity, (B) a Subsidiary of the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of voting securities of the Company or (C) any other person whose acquisition of shares of voting securities is approved in advance by a majority of the Continuing Directors; or (vi) in a Title 11 bankruptcy proceeding, the appointment of a trustee or the conversion of a case involving the Company to a case under Chapter 7.

2.5 **Code** means the Internal Revenue Code of 1986, as amended.

2.6 **Committee** means the committee appointed or designated by the Board to administer the Plan in accordance with Article 3 of this Plan.

2.7 **Common Stock** means the common stock of the Company, par value \$ 0.10 per share, which the Company is currently authorized to issue or may in the future be authorized to issue.

2.8 **Date of Grant** means the effective date on which an Award is made, as determined in accordance with the corporate laws of the state of Kansas, to a Participant as set forth in the applicable Award Agreement.

2.9 **Director** means a member of the Board.

2.10 **Disability** means the disability of a person as defined in a then effective long-term disability plan maintained by the Company that covers such person, or if such a plan does not exist at any relevant time, Disability means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code. Section 22(e)(3) of the Code provides that an individual is totally and

Table of Contents

permanently disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

2.11 Dividend Equivalents means rights granted to a Participant with respect to Restricted Stock Units to receive the equivalent value of dividends paid on the shares of the Common Stock prior to vesting of the Award. Dividend Equivalents shall be converted to cash or additional shares of Common Stock by such formulas and at such time and subject to such limitations as may be determined by the Committee.

2.12 Employee means a common law employee, including an employee who is also an Officer or Director, (as defined in accordance with the Regulations and Revenue Rulings then applicable under Section 3401(c) of the Code) of the Company or any Subsidiary. Employee does not include Non-employee Directors.

2.13 Exchange Act means the Securities Exchange Act of 1934, as amended, and any successor statute. Reference in the Plan to any section of the Exchange Act shall be deemed to include any amendments or successor provisions to such section and rules and regulations relating to such section.

2.14 Fair Market Value of a share of Common Stock means, as of any given date, the closing price of the Common Stock as reported on the New York Stock Exchange Consolidated Tape, or such reporting service as the Committee may select, or, if the Common Stock is not traded on the New York Stock Exchange, the closing price of the Common Stock on the principal national securities exchange or national market system on which the Common Stock is listed, on the date of determination, as reported on such source as the Committee deems reliable (or if no sale occurred on such date, on the first immediately preceding trading date on which a sale occurred), or, if the Common Stock is not listed on the New York Stock Exchange or another securities exchange or market system, but is regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, the Fair Market Value shall be the closing sales price for the Common Stock as quoted on such system or by such securities dealer on the date of determination (or if no sale occurred on that date, on the first immediately preceding date on which a sale is reported), as reported on such source as the Committee deems reliable, or, in the in the absence of an established market of the Common Stock of the type described in the foregoing, the Fair Market Value of a share of Common Stock shall be as determined by the Committee in good faith in accordance with such fair and reasonable means as the Board or the Committee shall specify.

2.15 Officer means a person who is an officer of the Company or a Subsidiary within the meaning of Section 16 of the Exchange Act (whether or not the Company is subject to the requirements of the Exchange Act).

2.16 Non-employee Director means a member of the Board who is not an Employee.

2.17 Participant means an Employee to whom an Award is granted under the Plan.

2.18 Performance Awards means an Award subject to Performance Goals, as provided for in Section 6.1 of this Plan.

2.19 Restriction Period means the period during which the Common Stock under a Restricted Stock Award is nontransferable and subject to Forfeiture Restrictions as defined in Section 6.2 of this Plan and set forth in any related Award Agreement.

Table of Contents

- 2.20 Restricted Stock means shares of Common Stock issued or transferred to a Participant pursuant to a Restricted Stock Award under Section 6.4 of this Plan which are subject to restrictions or limitations set forth in this Plan and in any related Award Agreement.
- 2.21 Restricted Stock Award means an award granted under Section 6.4 of this Plan of shares of Common Stock issued to the Participant for such consideration, if any, and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions and other terms and conditions as are established by the Committee.
- 2.22 Restricted Stock Unit means the right to receive a share of Common Stock, or the Fair Market Value of a share of Common stock in cash, granted pursuant to Section 6.5 of this Plan and shall be evidenced by a bookkeeping entry representing the equivalent of one share of Common Stock.
- 2.23 Securities Act means the Securities Act of 1933, as amended, and any successor statute. Reference in the Plan to any section of the Securities Act shall be deemed to include any amendments or successor provisions to such section and any rules and regulations relating to such section.
- 2.24 Subsidiary means (i) any corporation in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain, (ii) any limited partnership, if the Company or any corporation described in item (i) above owns a majority of the general partnership interests and a majority of the limited partnership interests entitled to vote on the removal and replacement of the general partner, and (iii) any partnership or limited liability company, if the partners or members thereof are composed only of the Company, any corporation listed in item (i) above or any limited partnership listed in item (ii) above. Subsidiaries means more than one of any such corporations, limited partnerships, partnerships or limited liability companies.
- 2.25 Termination of Service occurs when a Participant shall cease to serve as an Employee for any reason.

ARTICLE 3

ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall consist of not fewer than two persons. Any member of the Committee may be removed at any time, with or without cause, by resolution of the Board. Any vacancy occurring in the membership of the Committee may be filled by appointment by the Board.

While the Common Stock of the Company is publicly traded, if necessary to satisfy the requirements of Code Section 162(m) and/or Rule 16b-3 promulgated under the Exchange Act, membership on the Committee shall be limited to those members of the Board who are outside directors under Section 162(m) of the Code and/or non-employee directors as defined in Rule 16b-3 promulgated under the Exchange Act, and/or who exhibit the independence necessary to comply with the rules of any exchange upon which the Company's securities are traded, and any other applicable law, as necessary. The Committee shall select one of its members to act as its Chairman. A majority of the Committee shall constitute a quorum, and the act of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the act of the Committee.

Table of Contents

The Compensation Committee of the Board shall serve as the Committee unless and until such time as the Board appoints other members of the Board to serve as the Committee.

The Committee shall determine the Participants to whom Awards shall be granted, and shall set forth in the Award Agreement of each Participant the Award, the Restriction Period, the vesting schedule, the Date of Grant, and such other terms, provisions, and limitations as are approved by the Committee, but not inconsistent with the Plan.

The Committee, in its discretion, shall (i) interpret the Plan, (ii) prescribe, amend, and rescind any rules and regulations necessary or appropriate for the administration of the Plan, and (iii) make such other determinations and take such other action as it deems necessary or advisable in the administration of the Plan. Any interpretation, determination, or other action made or taken by the Committee shall be final, binding, and conclusive on all interested parties.

With respect to restrictions in the Plan that are based on the rules of any exchange or inter-dealer quotation system upon which the Company's securities are listed or quoted, or any other applicable law, rule or restriction, to the extent that any such restrictions are no longer required by applicable law, the Committee shall have the sole discretion and authority to prescribe terms for Awards that are not subject to such mandated restrictions and/or to waive any such mandated restrictions with respect to outstanding Awards.

ARTICLE 4

ELIGIBILITY

Any Employee whose judgment, initiative and efforts are expected to contribute to the successful performance of the Company is eligible to participate in the Plan. Awards may be granted by the Committee at any time and from time to time to new Participants, or to then Participants, or to a greater or lesser number of Participants, and may include or exclude previous Participants, as the Committee may determine. Except as required by this Plan, Awards granted at different times need not contain similar provisions. The Committee's determinations under the Plan (including without limitation recommendations regarding which Employees, if any, are to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements evidencing same) need not be uniform and may be made by it selectively among Employees who receive, or are eligible to receive, Awards under the Plan.

ARTICLE 5

SHARES SUBJECT TO THE PLAN

Shares to be issued may be made available from Common Stock held by the Company in its treasury or Common Stock that is newly issued; provided, however, that to the extent an Award is made to a newly hired Employee as a condition of employment, only shares of Common Stock held by the Company in its treasury may be used.

Subject to adjustment as provided in Articles 9 and 10, the maximum number of shares of Common Stock that may be issued pursuant to Awards granted under the Plan is 2,300,000 shares. Shares of Common Stock previously subject to Awards which are forfeited or terminated, are withheld for payment of any applicable employment taxes and/or withholding obligations or are settled in cash may be reissued pursuant to future Awards.

Table of Contents

ARTICLE 6

GRANT OF RESTRICTED STOCK AWARD AND RESTRICTED STOCK UNITS

6.1 (a) **In General.** The grant of an Award shall be authorized by the Committee and shall be evidenced by an Award Agreement setting forth the number of shares of Common Stock subject to the Award, the Restriction Period (in the case of a Restricted Stock Award), the vesting conditions and vesting schedule, the Date of Grant, and such other terms, provisions, and limitations as are approved by the Committee, but not inconsistent with the Plan. The Company shall issue an Award Agreement to the Participant after the Committee approves the issuance of an Award.

Each Award Agreement shall be in such form and shall contain such terms and conditions as the Committee shall deem appropriate. The terms and conditions of such Award Agreements may change from time to time and the terms and conditions of separate Award Agreements need not be identical, but each such Award Agreement shall be subject to the applicable terms and conditions of this Article 6.

(b) **Performance Awards.** The Committee may grant Performance Awards to one or more Participants. The terms and conditions of Performance Awards shall be specified at the time of the grant and may include provisions establishing the performance period, the Performance Goals to be achieved during a performance period, and the maximum or minimum settlement values, provided that such terms and conditions are (i) not inconsistent with the Plan and (ii) to the extent a Performance Award issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder. Performance Awards granted in the form of Restricted Stock Awards shall provide for the issuance of the shares of Restricted Stock at the time of the grant of the Performance Award and Performance Awards granted in the form of Restricted Stock Units shall provide for the issuance of the shares of Common Stock at the time of the certification by the Committee that the Performance Goals for the performance period have been met; provided, however, if shares of Restricted Stock are issued at the time of the grant of the Performance Award (granted in the form of a Restricted Stock Award), the consideration for the issuance of such shares shall be the achievement of the Performance Goals established at the time of the grant of the Performance Award, and if, at the end of the performance period, the Performance Goals are not certified by the Committee to have been fully satisfied, then, notwithstanding any other provisions of this Plan to the contrary, the Restricted Stock shall be forfeited in accordance with the terms of the grant to the extent the Committee determines that the Performance Goals were not met. The forfeiture of Restricted Stock issued at the time of the grant of the Performance Award due to failure to achieve the established Performance Goals shall be separate from and in addition to any other Forfeiture Restrictions (as defined in Section 6.2 hereof) provided for in this Plan. Each Performance Award granted to one or more Participants shall have its own terms and conditions.

If it is determined to be necessary in order to satisfy Code Section 162(m), the Committee shall, at the time of the grant of a Performance Award, and to the extent permitted under Code Section 162(m) and the regulations issued thereunder, provide for the manner in which the Performance Goals shall be reduced to take into account the negative effect on the achievement of specified levels of the Performance Goals which may result from enumerated corporate transactions, extraordinary events, accounting changes and other similar occurrences which were unanticipated at the time of the grant. In no event, however, may the Committee increase the shares of Common Stock

Table of Contents

that may be earned under a Performance Award, unless the reduction in the Performance Goals would reduce or eliminate the number of shares of Common Stock to be earned under the Performance Award and the Committee determines not to make such reduction or elimination. The extent to which any applicable performance objective has been achieved shall be conclusively determined by the Committee.

With respect to a Performance Award that is not intended to satisfy the requirements of Code Section 162(m), if the Committee determines, in its sole discretion, that the established performance measures or objectives are no longer suitable because of a change in the Company's business, operations, corporate structure, or for other reasons that the Committee deemed satisfactory, the Committee may modify the performance measures or objectives and/or the performance period.

(c) Maximum Performance Award. Notwithstanding the foregoing, in order to comply with the requirements of Section 162(m) of the Code, no Employee may receive in any calendar year Performance Awards having an aggregate value of more than \$3,000,000.00, based on the Fair Market Value of the Common Stock subject to the Award on the Date of Grant.

(d) Performance Goals. Performance Awards may be made subject to the attainment of Performance Goals relating to one or more business criteria which, where applicable, shall be within the meaning of Section 162(m) of the Code and consist of one or more or any combination of the following criteria: cash flow; cost; revenues; same store or general sales; ratio of debt to debt plus equity; net borrowing, credit quality or debt ratings; profit before tax; economic profit; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; gross margin; earnings per share (whether on a pre-tax, after-tax, operational or other basis); operating earnings; capital expenditures; expenses or expense levels; economic value added; ratio of operating earnings to capital spending or any other operating ratios; free cash flow; net profit; net sales; net asset value per share; the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions; sales growth; price of the Company's Common Stock; return on assets, equity or stockholders' equity; market share; inventory levels, inventory turn or shrinkage; or total return to stockholders (Performance Criteria). Any Performance Criteria may be used to measure the performance of the Company as a whole or any business unit of the Company and may be measured relative to a peer group or index. Any Performance Criteria may include or exclude (i) extraordinary, unusual and/or non-recurring items of gain or loss, (ii) gains or losses on the disposition of a business, (iii) changes in tax or accounting regulations or laws, (iv) the effect of a merger or acquisition, as identified in the Company's quarterly and annual earnings releases, or (v) other similar occurrences. In all other respects, Performance Criteria shall be calculated in accordance with the Company's financial statements, under generally accepted accounting principles, or under a methodology established by the Committee prior to the issuance of a Performance Award.

6.2 Forfeiture Restrictions. Shares of Common Stock that are the subject of a Restricted Stock Award shall be subject to restrictions on disposition by the Participant and to an obligation of the Participant to forfeit and surrender the shares to the Company under certain circumstances (the Forfeiture Restrictions). The Forfeiture Restrictions shall be determined by the Committee, in its sole discretion, and the Committee may provide that the Forfeiture Restrictions shall lapse on the passage of time or the occurrence of such other event or events determined to be appropriate by the Committee. The Forfeiture Restrictions applicable to a particular Restricted Stock Award (which may differ from any other such Restricted Stock Award) shall be stated in the Award Agreement.

Table of Contents

6.3 **Minimum Vesting Restrictions.** The Forfeiture Restrictions for any particular Restricted Stock Award or vesting schedule applicable to a Restricted Stock Unit shall not provide for (i) a vesting period of less than one year nor more than five years, (ii) full vesting within a period of less than three years and (iii) vesting that is more favorable than a pro rata vesting over a period of three years.

6.4 **Restricted Stock Awards.** At the time any Restricted Stock Award is granted under the Plan, the Company shall issue to the Participant an Award Agreement setting forth each of the matters addressed in this Article 6 and such other matters as the Committee may determine to be appropriate. Shares of Common Stock awarded pursuant to a Restricted Stock Award shall be represented by a stock certificate registered in the name of the Participant of such Restricted Stock Award or by a book entry account with the Company or the Company's transfer agent. To the extent and on the terms and conditions authorized by the Committee and set forth in the Award Agreement, the Participant shall have the right to receive dividends with respect to the shares of Common Stock subject to a Restricted Stock Award, to vote the shares of Common Stock subject thereto and, except as otherwise provided herein, to enjoy all other stockholder rights with respect to the shares of Common Stock subject thereto, except that, unless provided otherwise in the Award Agreement, (i) the Participant shall not be entitled to delivery of the certificate evidencing the shares of Common Stock covered by a Restricted Stock Award until the Forfeiture Restrictions have expired, (ii) the Company or an escrow agent shall retain custody of the certificate evidencing the shares of Common Stock (or such shares shall be held in a book entry account with the Company's transfer agent) until the Forfeiture Restrictions have expired, (iii) the Participant may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the shares of Common Stock until the Forfeiture Restrictions have expired, and (iv) a breach of the terms and conditions established by the Committee and set forth in the Award Agreement shall cause a forfeiture of the Restricted Stock Award. The right to vote and receive dividends on the shares of Common Stock shall be subject to such limitations and restrictions as may be determined by the Committee and set forth in the Award Agreement (including, without limitation, whether any dividends that are authorized to be paid under the Restricted Stock Award shall be paid to the Participant at the time the dividends are declared on the shares of Common Stock or held in escrow and paid to the Participant at the time the related shares of Common Stock subject to the Restricted Stock Award vest). At the time of such Restricted Stock Award, the Committee may, in its sole discretion, prescribe additional terms, conditions or restrictions relating to the Restricted Stock Award, including rules pertaining to the Participant's Termination of Service prior to expiration of the Forfeiture Restrictions. Such additional terms, conditions or restrictions shall also be set forth in the Award Agreement made in connection with the Restricted Stock Award.

6.5 **Restricted Stock Units.** The Committee is authorized to award Restricted Stock Units to any Employee selected by the Committee covering such number of shares of Common Stock and subject to such terms and conditions as determined by the Committee and, including rules pertaining to the Participant's Termination of Service prior to vesting of the Restricted Stock Units. At the time of grant, the Committee shall specify the date or dates on which the Restricted Stock Units shall vest and become nonforfeitable, and may specify such conditions to vesting as it deems appropriate. On the vesting date, the Company shall transfer to the Participant one unrestricted, fully transferable share of Common Stock for each Restricted Stock Unit scheduled to be paid out on such date and not previously forfeited. Alternatively, settlement of a Restricted Stock Unit may be made in cash (in an amount reflecting the Fair Market Value of the Common Stock that would have been issued) or any combination of cash and shares of Common Stock, as determined by the Committee, in its sole discretion, at the time of grant or settlement of the Restricted Stock Unit. The Committee may authorize Dividend Equivalents to be paid on outstanding Restricted Stock Units. If Dividend

Table of Contents

Equivalents are authorized to be paid, they may be paid at the time dividends are declared on the shares of Common Stock or at the time the Restricted Stock Units vest and they may be paid in either cash or shares of Common Stock, in the discretion of the Committee. At the time of grant, the Committee shall specify the settlement date applicable to a Restricted Stock Unit, which shall be no earlier than the vesting date(s) applicable to the applicable Restricted Stock Unit and may be later than the vesting date(s) to the extent and under the terms determined by the Committee. A Restricted Stock Unit shall be granted in compliance with the applicable requirements of Section 409A of the Code and the treasury regulations and other guidance issued thereunder. At the time any Restricted Stock Unit is granted under the Plan, the Company shall issue to the Participant an Award Agreement setting forth each of the matters addressed in this Section 6.5 and other applicable matters in this Article 6 and such other matters as the Committee may determine to be appropriate.

6.6 Rights and Obligations of Participant. One or more stock certificates representing shares of Common Stock, free of Forfeiture Restrictions, shall be delivered to the Participant promptly after, and only after, the Forfeiture Restrictions have expired and vesting conditions, including Performance Goals, if any, have been satisfied and the Participant has satisfied all applicable federal, state and local income and employment tax withholding requirements. Each Award Agreement covering a Restricted Stock Award shall require that (i) the Participant, by his or her acceptance of the Award, shall irrevocably grant to the Company a power of attorney to transfer any shares that are forfeited to the Company and agrees to execute any documents requested by the Company in connection with such forfeiture and transfer, and (ii) such provisions regarding transfers of forfeited shares of Common Stock shall be specifically performable by the Company in a court of equity or law.

6.7 Restriction Period. The Restriction Period for a Restricted Stock Award shall commence on the Date of Grant of the Restricted Stock Award and, unless otherwise established by the Committee and stated in the Award Agreement, shall expire upon satisfaction of the conditions set forth in the Award Agreement pursuant to which the Forfeiture Restrictions will lapse. The Committee may, in its sole discretion, accelerate the Restriction Period for all or a part of a Restricted Stock Award; provided, however, that the Committee shall have no discretion to accelerate the Restriction Period for any Participant unless that Participant has been continuously an Employee for at least one (1) year after the Date of Grant.

6.8 Securities Restrictions. The Committee may impose other conditions on any shares of Common Stock subject to an Award as it may deem advisable, including (i) restrictions under applicable state or federal securities laws, and (ii) the requirements of any stock exchange or national market system upon which shares of Common Stock are then listed or quoted.

6.9 Payment for Common Stock. The Committee shall determine the amount and form of any payment for shares of Common Stock received pursuant to an Award; provided, that in the absence of such a determination, the Participant shall not be required to make any payment for shares of Common Stock received pursuant to an Award, except to the extent otherwise required by law.

6.10 Forfeiture of Restricted Stock. Subject to the provisions of the particular Award Agreement, on Participant's Termination of Service during the Restriction Period, the shares of Common Stock still subject to the Forfeiture Restrictions contained in the Award shall be forfeited by the Participant. Upon any forfeiture, all rights of the Participant with respect to the forfeited shares of Common Stock subject to the Award shall cease and terminate, without any further obligation on the part of the Company, except that if so provided in the Award Agreement applicable to the Restricted

Table of Contents

Stock Award, the Company shall repurchase each of the shares of Common Stock forfeited for the purchase price per share paid by the Participant. The Committee will have discretion to determine the date of the Participant's Termination of Service.

6.11 Lapse of Forfeiture Restrictions and Vesting Conditions in Certain Events: Committee's Discretion. Notwithstanding the provisions of Section 6.10 or any other provision in the Plan to the contrary, the Committee may, on account of the Participant's Disability or retirement, in its discretion and as of a date determined by the Committee, fully vest any Restricted Stock Unit or all Common Stock awarded to the Participant pursuant to a Restricted Stock Award, and upon such vesting, all Forfeiture Restrictions or vesting conditions applicable to such Award shall lapse or terminate; provided, however, that the Committee shall have no discretion to fully vest any Common Stock awarded unless the Participant has been continuously an Employee for at least one (1) year after the Date of Grant. The Committee shall have discretion to determine whether a Participant's Termination of Service was as a result of Disability or retirement. Notwithstanding the foregoing provisions of this Section 6.11, the Committee shall not have the discretion or the right, in the case of a Participant's retirement, to grant to or permit a Participant to vest in an Award that is a Performance Award designated by the Committee as being an Award to which Section 162(m) of the Code applies, except to the extent the Performance Goals which were established in order for such Performance Award to be granted or to be retained have been met. Any action by the Committee pursuant to this Section 6.11 may vary among individual Participants and may vary among the Awards held by any individual Participant.

6.12 Lapse of Forfeiture Restrictions Upon Death. Notwithstanding the provisions of Section 6.10 or any other provision in the Plan or the applicable Award Agreement to the contrary, all Restricted Stock Units or Common Stock awarded to a Participant pursuant to a Restricted Stock Award shall fully vest upon the death of such Participant, and upon such vesting all Forfeiture Restrictions applicable to a Restricted Stock Award or Restricted Stock Unit shall lapse or terminate; even though the Participant's death occurs before he has been continuously an Employee for at least one (1) year after the Date of Grant.

6.13 Withholding Taxes. The Committee may establish such rules and procedures as it considers desirable in order to satisfy any obligation of the Company to withhold applicable federal, state and local income and employment taxes with respect to the lapse of Forfeiture Restrictions or issuance of shares or any other taxable event applicable to Awards, including allowing the Participant to elect to have the Company withhold shares otherwise issuable under an Award (or allow the return of shares) having a Fair Market Value equal to the sum required to be withheld. Notwithstanding any other provision of the Plan, the number of shares which may be withheld with respect to the issuance, vesting or payment of any Award (or which may be repurchased from the Participant after such shares were acquired by the Participant from the Company) in order to satisfy the Participant's federal, state and local income and employment tax liabilities with respect to the issuance, vesting or payment of the Award shall be limited to the number of shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state and local income tax and payroll tax purposes that are applicable to such taxable income. Prior to delivery of shares of Common Stock upon the lapse of Forfeiture Restrictions applicable to an Award, the Participant shall pay or make adequate provision acceptable to the Committee for the satisfaction of all tax withholding obligations of the Company.

Table of Contents

ARTICLE 7

AMENDMENT OR DISCONTINUANCE

Subject to the limitations set forth in this Article 7, the Board or the Committee may at any time and from time to time, alter, amend, revise, suspend, or discontinue the Plan in whole or in part; provided, however, that any amendment to the Plan must be approved by the stockholders of the Company if the amendment would (a) materially increase the aggregate number of shares of Common Stock which may be issued under the Plan, (b) materially modify the requirements as to eligibility for participation in the Plan, (c) materially increase the benefits accruing to Participants under the Plan, or (d) otherwise require stockholder approval due to the requirements of any securities exchange or inter-dealer quotation system on which the Common Stock is listed or traded or in order for the Plan or Awards to continue to comply with sections of the Code or any other laws applicable to Awards made under this Plan. Any such amendment shall, to the extent deemed necessary by the Committee, be applicable to any outstanding Awards theretofore granted under the Plan, notwithstanding any contrary provisions contained in any Award Agreement. In the event of any such amendment to the Plan, the holder of any Awards outstanding under the Plan shall, upon request of the Committee and as a condition to the applicable lapse of Forfeiture Restrictions thereon, execute a conforming amendment in the form prescribed by the Committee to any Award Agreement relating thereto. Notwithstanding anything contained in this Plan to the contrary, unless required by law, no action contemplated or permitted by this Article 7 shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any Awards theretofore granted under the Plan without the consent of the affected Participant.

ARTICLE 8

TERM

Unless sooner terminated by action of the Board, the Plan will terminate on December 31, 2014, but Awards granted before that date will continue to be effective in accordance with the terms and conditions of the respective Award Agreement.

ARTICLE 9

CAPITAL ADJUSTMENTS

If at any time while the Plan is in effect, or Awards are outstanding, there shall be any increase or decrease in the number of issued and outstanding shares of Common Stock resulting from (1) the declaration or payment of a stock dividend, (2) any recapitalization resulting in a stock split up, combination, or exchange of shares of Common Stock, or (3) other increase or decrease in such shares of Common Stock effected without receipt of consideration by the Company, then and in such event:

- (a) An appropriate adjustment shall be made in the maximum number of shares of Common Stock then subject to being awarded under the Plan and in the maximum number of shares of Common Stock that may be awarded to a Participant to the end that the same proportion of the Company's issued and outstanding shares of Common Stock shall continue to be subject to being so awarded.
- (b) Appropriate adjustments shall be made in the number of outstanding shares of Restricted Stock with respect to which Forfeiture Restrictions have not yet lapsed or outstanding shares of Common Stock that are subject to a Restricted Stock Unit that have not vested or have yet been issued prior to any such change.

Table of Contents

Except as otherwise expressly provided herein, the issuance by the Company of shares of its capital stock of any class, or securities convertible into shares of capital stock of any class, either in connection with direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to the number of outstanding shares of Restricted Stock or shares of Common Stock subject to an Award.

Upon the occurrence of each event requiring an adjustment with respect to any Award, the Company shall communicate by reasonable means intended to reach each affected Participant its computation of such adjustment which shall be conclusive and shall be binding upon each such Participant.

ARTICLE 10

RECAPITALIZATION, MERGER AND

CONSOLIDATION; CHANGE IN CONTROL

10.1 The existence of this Plan and Awards granted hereunder shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure and its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or preference stocks ranking prior to or otherwise affecting the Common Stock or the rights thereof (or any rights, options, or warrants to purchase same), or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

10.2 Subject to any required action by the stockholders, if the Company shall be the surviving or resulting corporation in any merger, consolidation or share exchange, any Awards granted hereunder shall pertain to and apply to the securities or rights (including cash, property, or assets) to which a holder of the number of shares of Common Stock subject to the Awards would have been entitled.

10.3 In the event of any merger, consolidation or share exchange pursuant to which the Company is not the surviving or resulting corporation, there shall be substituted for each share of Common Stock subject to the outstanding Awards, that number of shares of each class of stock or other securities or that amount of cash, property, or assets of the surviving, resulting or consolidated company which were distributed or distributable to the stockholders of the Company in respect to each share of Common Stock held by them, such outstanding Awards to be thereafter applicable to such stock, securities, cash, or property in accordance with their terms. Notwithstanding the foregoing, however, all such Awards may be canceled by the Company as of the effective date of any such reorganization, merger, consolidation, or share exchange by giving notice to each holder thereof or his personal representative of its intention to do so and by permitting the purchase by the Company during the thirty (30) day period next preceding such effective date of all of the shares of Common Stock subject to such outstanding Awards at a price equal to the Fair Market Value of such shares on the date of purchase.

10.4 In the event of a Change of Control, then, notwithstanding any other provision in this Plan to the contrary, all Awards outstanding shall thereupon automatically be vested. The determination of the Committee that any of the foregoing conditions has been met shall be binding and conclusive on all parties.

Table of Contents

ARTICLE 11

LIQUIDATION OR DISSOLUTION

In case the Company shall, at any time while any Award under this Plan shall be in force and remain unexpired, (i) sell all or substantially all of its property, or (ii) dissolve, liquidate, or wind up its affairs, then each Participant shall be thereafter entitled to receive, in lieu of each share of Common Stock of the Company in which the Participant is vested, pursuant to the terms of the Participant's Award Agreement, as of the date the Company sells all or substantially all of its property, or dissolves, liquidates or winds up its affairs, the same kind and amount of any securities or assets as may be issuable, distributable, or payable upon any such sale, dissolution, liquidation, or winding up with respect to each share of Common Stock of the Company. Notwithstanding the foregoing, the Committee may, in its sole and absolute discretion accelerate the vesting of any Participant's Award in connection with any sale, dissolution, liquidation, or winding up contemplated in this Article 11.

ARTICLE 12

MISCELLANEOUS PROVISIONS

12.1 Investment Intent. The Company may require that there be presented to and filed with it by any Participant under the Plan, such evidence as it may deem necessary to establish that the shares of Common Stock to be received from an Award are being acquired for investment and not with a view to their distribution.

12.2 No Right to Continued Employment. Neither the Plan nor any Award granted under the Plan shall confer upon any Participant any right with respect to continuance of employment by the Company or any Subsidiary.

12.3 Indemnification of Board and Committee. No member of the Board or the Committee, nor any Officer or Employee acting on behalf of the Board or the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any Officer or Employee acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination, or interpretation.

12.4 Effect of the Plan. Neither the adoption of this Plan nor any action of the Board or the Committee shall be deemed to give any person any right to be granted an Award or any other rights except as may be evidenced by an Award Agreement, or any amendment thereto, duly authorized by the Committee and executed on behalf of the Company, and then only to the extent and upon the terms and conditions expressly set forth therein.

12.5 Severability And Reformation. The Company intends all provisions of the Plan to be enforced to the fullest extent permitted by law. Accordingly, should a court of competent jurisdiction determine that the scope of any provision of the Plan is too broad to be enforced as written, the court should reform the provision to such narrower scope as it determines to be enforceable. If, however, any provision of the Plan is held to be wholly illegal, invalid, or unenforceable under present or future law, such provision shall be fully severable and severed, and the Plan shall be construed and enforced as if such illegal, invalid, or unenforceable provision were never a part hereof, and the remaining provisions of the Plan shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance.

Table of Contents

12.6 Governing Law. The Plan shall be construed and interpreted in accordance with the laws of the State of Kansas.

12.7 Compliance With Other Laws and Regulations. Notwithstanding anything contained herein to the contrary, the Company shall not be required to sell or issue shares of Common Stock under any Award if the issuance thereof would constitute a violation by the Participant or the Company of any provisions of any law or regulation of any governmental authority or any national securities exchange or inter-dealer quotation system or other forum in which shares of Common Stock are quoted or traded (including without limitation Section 16 of the Exchange Act); and, as a condition of any sale or issuance of shares of Common Stock under an Award, the Committee may require such agreements or undertakings, if any, as the Committee may deem necessary or advisable to assure compliance with any such law or regulation. The Plan and the grant of Awards hereunder, and the obligation of the Company to sell and deliver shares of Common Stock, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required.

12.8 Legend. Each certificate representing shares of Restricted Stock issued to a Participant shall bear the following legend, or a similar legend deemed by the Company to constitute an appropriate notice of the provisions hereof (any such certificate not having such legend shall be surrendered upon demand by the Company and so endorsed):

On the face of the certificate:

Transfer of this stock is restricted in accordance with conditions printed on the reverse of this certificate.

On the reverse:

The shares of stock evidenced by this certificate are subject to and transferable only in accordance with that certain CEC Entertainment, Inc. 2004 Restricted Stock Plan and the related Award Agreement, copies of which are on file at the principal office of the Company in Irving, Texas. No transfer or pledge of the shares evidenced hereby may be made except in accordance with and subject to the provisions of said Plan and Agreement. By acceptance of this certificate, any holder, transferee or pledgee hereof agrees to be bound by all of the provisions of said Plan and Agreement.

The following legend shall be inserted on a certificate evidencing Common Stock issued under the Plan if the shares were not issued in a transaction registered under the applicable federal and state securities laws:

Shares of stock represented by this certificate have been acquired by the holder for investment and not for resale, transfer or distribution, have been issued pursuant to exemptions from the registration requirements of applicable state and federal securities laws, and may not be offered for sale, sold or transferred other than pursuant to effective registration under such laws, or in transactions otherwise in compliance with such laws, and upon evidence satisfactory to the Company of compliance with such laws, as to which the Company may rely upon an opinion of counsel satisfactory to the Company.

Table of Contents

12.9 Limits on Transfer. No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to or for the benefit of any other party other than the Company or a Subsidiary. Except as otherwise provided by the Committee, no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved from time to time by the Committee. The Committee by express provision in the Award or an amendment thereto may, to the extent permitted by applicable law, permit an Award to be transferred or paid to certain persons or entities related to the Participant, including, but not limited to, members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a blind trust in connection with the Participant's termination of employment or service with the Company or a Subsidiary to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

12.10 Fractional Shares. No fractional shares shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up or down as appropriate.

12.11 Unfunded Status of Awards. The Plan is intended to be an unfunded plan for incentive compensation. With respect to any payments not yet made or any obligations owing to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

12.12 Internal Revenue Code Section 409A. It is the intent that the Plan, the Award Agreement and any Award granted hereunder shall either be exempt from or comply with Section 409A of the Code, and any ambiguity in the terms to which Awards are subject shall be so construed. In furtherance of this interest, to the extent that any regulations or other guidance issued under Section 409A after the effective date of this Plan would result in a Participant being subject to payment of interest and tax penalty under Section 409A, the Committee may amend the Plan or any Award Agreement, without the Participant's consent, including with respect to the timing of payment of benefits, in order to avoid the application of, or to comply with the requirements of, Section 409A; provided, however, that the Company makes no representation that compensation or benefits payable under this Plan or Award granted under this Plan shall be exempt from or comply with Section 409A and makes no representation to preclude Section 409A from applying to the compensation or benefits payable under the Plan.

A copy of this Plan shall be kept on file in the principal office of the Company in Irving, Texas.

Table of Contents

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

CEC ENTERTAINMENT, INC.

LEGAL DEPARTMENT

4441 W. AIRPORT FREEWAY

IRVING, TX 75062

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by CEC Entertainment, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

	For All	Withhold All	For All Except	
The Board of Directors recommends you vote FOR the following:				To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
	

1. Election of Directors

Nominees

01 Richard M. Frank Lee	02 Gen. (ret) Tommy Franks	03 Tim T. Morris	04 Louis P. Neeb	05 Cynthia Pharr
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06 Raymond E. Wooldridge

The Board of Directors recommends you vote FOR proposals 2, 3, 4 and 5.

For Against Abstain

2	Advisory vote to approve named executive officer compensation.	..	..	..
3	To re-approve the performance goals under our Incentive Bonus Plan for compliance with Internal Revenue Code Section 162(m).	..	..	..
4	To re-approve the performance goals under our 2004 Restricted Stock Plan for compliance with Internal Revenue Code Section 162(m).	..	..	..
5	To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the 2012 fiscal year.	..	..	..

NOTE: Such other business as may properly come before the meeting or any adjournments or postponements thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]

Signature (Joint Owners) Date

Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement, Annual Report is/are available at www.proxyvote.com.

CEC ENTERTAINMENT, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

ANNUAL MEETING OF STOCKHOLDERS

May 1, 2012

The stockholder(s) hereby appoint(s) Scott A. McDaniel, Jay A. Young, and Meredith W. Bjorck, or any of them, as proxies, each with the power to appoint his or her substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of CEC Entertainment, Inc. that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held at 8:00 a.m., Central Time, on May 1, 2012, at Chuck E. Cheese's, 3903 West Airport Freeway, Irving, TX 75062 and any adjournment or postponement thereof, on all matters coming before said meeting. Proxies are authorized to vote upon matters incident to the conduct of the meeting such as approval of one or more adjournments of the meeting for the purpose of obtaining additional stockholder votes. This proxy revokes all prior proxies given by the stockholder(s).

The shares represented by this proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder(s). **If no direction is made, this proxy will be voted FOR all nominees listed in item 1 and FOR items 2, 3, 4 and 5.** If any other matters properly come before the meeting, the proxy holder(s) named in this proxy will vote the shares in their discretion.

Continued and to be signed on reverse side