

DSP GROUP INC /DE/

Form 8-K

April 02, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): March 27, 2014

DSP GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

1-35256

(Commission File Number)

161 S. San Antonio Road, Suite 10

Los Altos, CA

(Address of Principal Executive Offices)

94-2683643

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

94022

(Zip Code)

408/986-4300

(Registrant's Telephone Number, Including Area Code)

With a copy to:

Bruce Alan Mann, Esq.

Morrison & Foerster llp

425 Market Street

San Francisco, CA 94105

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

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

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

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

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

ITEM 5.02. DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS

On March 27, 2014, the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of DSP Group, Inc. (the “Company”) approved a 2014 Performance-Based Bonus Plan applicable for the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer of the Company (individually, a “Plan” and collectively, the “Plans”). Each of the Plans is effective as of January 1, 2014.

The following is a description of the Plans provided pursuant to Paragraph 10(iii) to Item 601 of Regulation S-K, which requires a written description of a compensatory plan when there is no formal document containing the compensation information.

Pursuant to the Plans, the payment of bonuses is based upon the Company’s achievement of five separate components, four of which are based on business objectives and one is at the discretion of the Committee. Each component has a specified weighting and such weighting differs among the Plans; provided that the discretionary component is weighted 20% in each of the Plans. No bonus would be payable based on the achievement of the business objective components if the Company’s 2014 earnings before interest, taxes, depreciation and amortization (“EBITDA”), excluding any restricting and non-recurring charges to be determined by the Committee, are less than a specified amount set forth in the Plans as determined by the Committee.

The cap for the bonus payout under the Plan for the Chief Financial Officer and Chief Operating Officer is 1.0x of their respective annual base salary and the cap for the Chief Executive Officer under the Plan is 2.0x of his annual base salary.

Other than under the circumstances whereby there is a change of control transaction involving the Company, or termination of employment under specified circumstances as set forth in the employment agreement, payment of bonuses (if any) under the Plans is to be made in the following year. Any such bonuses would be paid in cash in a single lump sum, subject to payroll taxes and tax withholdings.

Solely with respect to the Chief Executive Officer and Chief Financial Officer, in the event of termination of employment during 2014 by (i) either one of them (X) after complying with the advance notice provision in his respective employment agreement, or (Y) for good reason (as defined in his respective employment agreement), or (ii) the Company without cause (as defined in his respective employment agreement), the bonus under their respective Plan would be determined on the following basis: (a) all numbers under the “Target” column of the Plan would be reduced by a percentage equal to the percent of the year remaining after the date of termination of employment, (b) all

non-numerical requirements under the “Target” column of the Plan would remain unchanged, (c) the 1.0 and 2.0 multiplier under the “Target” column of the Plan would be multiplied by their respective annual base salary for the part of the year prior to the date of termination of employment, and (d) the maximum bonus payable under the discretionary bonus component would be 40% of their respective annual base salary for the part of the year prior to the date of termination of employment.

The following is a more detailed description of the Plans as applicable to the Company’s Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

Chief Executive Officer

| Weight | Objective | Target | Payout |
|---------------------|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Specified Weighting | Aggregate Revenue | <p>0 if actual aggregate revenue is less than 90% of agreed amount based on the Company’s 2014 budget approved by the board of directors (the “Revenue Target”)</p> <p>1.0 if actual aggregate revenue is equal to 100% of the Revenue Target</p> <p>2.0 if actual aggregate revenue is greater than 110% of the Revenue Target</p> | <p>Payout is linear between percentage points (i.e. if the Company achieves 105% of the Revenue Target, 105% of the bonus amount payable upon achievement of such target would be payable).</p> |
| Specified Weighting | Office Segment | <p>0 if the actual office segment revenue is less than an agreed amount determined by the Committee (the “Office Segment Revenue Target”) and certain strategic design win(s) are not achieved</p> <p>1.0 if the actual office segment revenue is greater than the Office Segment Revenue Target and certain strategic design win(s) are achieved</p> <p>2.0 if the actual office segment revenue is greater than the Office Segment Revenue Target and certain strategic design win(s) are achieved</p> <p>0 if certain strategic design win(s) are not achieved</p> | <p>If a target is met partially but not entirely, the Committee in its discretion may pay a portion of the payout based on achievement of that target based on its judgment as to the percentage of the target achieved.</p> |
| Specified Weighting | Mobile Segment | <p>1.0 if certain strategic design win(s) are achieved with certain specified parameter(s)</p> <p>2.0 if certain strategic design win(s) are achieved with certain specified parameter(s)</p> | <p>If a target is met partially but not entirely, the Committee in its discretion may pay a portion of the payout based on achievement of that target based on its judgment as to the percentage of the target achieved.</p> |
| Specified Weighting | ULE/Home Automation Segment | <p>0 if certain strategic design win(s) are not achieved</p> | <p>If a target is met partially but not entirely, the Committee in its discretion may pay a portion of the payout based on achievement</p> |

1.0 if certain strategic design win(s) are of that target based on its judgment as to the achieved with certain specified percentage of the target achieved. parameter(s)

2.0 if certain strategic design win(s) are achieved with certain specified parameter(s)

The Committee will apply its discretion based primarily on its evaluation of how management has performed in positioning the Company for future success and enhancement of stockholder value.

20% Compensation Committee Discretion

Payable at the sole discretion of the Committee.

The maximum total discretionary bonus is 40% of annual base salary.

Chief Financial Officer and Chief Operating Officer

| Weight | Objective | Target | Payout |
|---------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Specified Weighting | Aggregate Revenue | <p>0 if actual aggregate revenue is less than 90% of agreed amount based on the Company's 2014 budget approved by the board of directors (the "Revenue Target")</p> <p>0.5 if actual aggregate revenue is equal to 100% of the Revenue Target</p> <p>1.0 if actual aggregate revenue is greater than 110% of the Revenue Target</p> | <p>Payout is linear between percentage points (i.e. if the Company achieves 105% of the Revenue Target, 105% of the bonus amount payable upon achievement of such target would be payable).</p> |
| Specified Weighting | Office Segment | <p>0 if the actual office segment revenue is less than an agreed amount determined by the Committee (the "Office Segment Revenue Target") and certain strategic design win(s) are not achieved</p> <p>0.5 if the actual office segment revenue is greater than the Office Segment Revenue Target and certain strategic design win(s) are achieved</p> <p>1.0 if the actual office segment revenue is greater than the Office Segment Revenue Target and certain strategic design win(s) are achieved</p> | <p>If a target is met partially but not entirely, the Committee in its discretion may pay a portion of the payout based on achievement of that target based on its judgment as to the percentage of the target achieved.</p> |
| Specified Weighting | Mobile Segment | <p>0 if certain strategic design win(s) are not achieved</p> <p>0.5 if certain strategic design win(s) are achieved with certain specified parameter(s)</p> <p>1.0 if certain strategic design win(s) are achieved with certain specified parameter(s)</p> | <p>If a target is met partially but not entirely, the Committee in its discretion may pay a portion of the payout based on achievement of that target based on its judgment as to the percentage of the target achieved.</p> |
| Specified Weighting | ULE/Home Automation Segment | <p>0 if certain strategic design win(s) are not achieved</p> <p>0.5 if certain strategic design win(s) are achieved with certain specified parameter(s)</p> | <p>If a target is met partially but not entirely, the Committee in its discretion may pay a portion of the payout based on achievement of that target based on its judgment as to the percentage of the target achieved.</p> |

1.0 if certain strategic design win(s) are achieved with certain specified parameter(s)

The Committee will apply its discretion based primarily on its evaluation of how management has performed in positioning the Company for future success and enhancement of stockholder value.

20% Compensation Committee Discretion

Payable at the sole discretion of the Committee.

The maximum total discretionary bonus is 40% of annual base salary.

Due to their strategic significance, the Company believes that the disclosure of the 2014 Revenue Target and Office Segment Revenue Target, names of the strategic customers that the Company is aiming to achieve design wins and the related parameters associated with these strategic design wins would cause future competitive harm to the Company and therefore are not disclosed. In addition, the Company believes the disclosure of the weightings that apply to the four business objective components within each Plan would cause future competitive harm since the weightings indicate the priority the Company places on its business initiatives and therefore are not disclosed.

SIGNATURES

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

DSP GROUP, INC.

Date: April 2, 2014

By: /s/ Dror Levy
Chief Financial Officer
and Secretary