

National CineMedia, Inc.  
Form DEF 14A  
March 20, 2013  
**Table of Contents**

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934**

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 Pursuant to §240.14a-12

**NATIONAL CINEMEDIA, 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):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

Edgar Filing: National CineMedia, Inc. - Form DEF 14A

(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:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



**Table of Contents**

**9110 E. Nichols Ave., Suite 200**

**Centennial, Colorado 80112-3405**

**Notice of Annual Meeting of Stockholders to be held on May 1, 2013**

You are cordially invited to attend the Annual Meeting of Stockholders of National CineMedia, Inc., which will be held at United Artists Theatre Meadows 12, 9355 Park Meadows Drive, Littleton, Colorado 80124 on Wednesday, May 1, 2013 at 9:00 a.m., Mountain Time, for the following purposes:

1. To elect three directors to serve until the 2016 Annual Meeting of Stockholders, and until their respective successors are elected and qualified;
2. To approve the National CineMedia, Inc. Executive Performance Bonus Plan;
3. Advisory approval of the Company's executive compensation;
4. To approve the amendment to the National CineMedia, Inc. 2007 Equity Incentive Plan to increase the number of shares available for issuance and to approve performance goals;
5. To ratify the appointment of Deloitte & Touche LLP as our independent auditors for our 2013 fiscal year ending December 26, 2013;
6. To consider a stockholder proposal regarding majority voting in director elections, if properly presented at the annual meeting; and
7. To transact such other business as may properly come before the meeting.

The close of business on March 12, 2013 has been set as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and any and all adjournments.

Consistent with prior years, we are electronically disseminating our Annual Meeting materials by using the "Notice and Access" method approved by the Securities and Exchange Commission. We believe this process should continue to provide a convenient way to access your proxy materials and vote. The Notice of Internet Availability of Proxy Materials contains specific instructions on how to access Annual Meeting materials via the internet as well as instructions on how to receive paper copies if preferred. The Proxy Statement and Annual Report for the fiscal year ended December 27, 2012 are available at [www.edocumentview.com/ncmi](http://www.edocumentview.com/ncmi).

Whether or not you are able to attend the Annual Meeting, it is important that your shares be represented regardless of the size of your holdings. Please vote your proxy promptly in accordance with the instructions you receive on the Notice of Internet Availability of Proxy Materials as a quorum of the stockholders must be present, either in person or by proxy, in order for the Annual Meeting to take place.

**Please note that brokers may not vote your shares on the election of directors or any other non-routine matters if you have not given your broker specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker so that your vote can be counted.**

Ralph E. Hardy

*Executive Vice President, General Counsel*

*and Secretary*

Centennial, Colorado

March 20, 2013

**Table of Contents**

TABLE OF CONTENTS

<u>Shares Outstanding and Voting Rights</u>	1
<u>Costs of Solicitation</u>	
<u>Annual Report</u>	
<u>Voting Securities and Principal Holders</u>	3
<u>Beneficial Ownership</u>	
<u>Adoption of Share Ownership Guidelines</u>	
<u>Anti-Hedging Policy</u>	
<u>Anti-Pledging Policy</u>	
<u>Proposal 1 Election of Directors</u>	6
<u>Business Experience of the Nominees</u>	
<u>Board Composition</u>	
<u>Company Leadership Structure</u>	
<u>Board's Role in Risk Oversight</u>	
<u>Compensation Risk Assessment</u>	
<u>Meetings of the Board of Directors and Standing Committees</u>	
<u>Stockholder Communications</u>	
<u>Vote Required</u>	
<u>Recommendation</u>	
<u>Proposal 2 Approval of the National CineMedia, Inc. Executive Performance Bonus Plan</u>	15
<u>Purpose</u>	
<u>Summary of the Performance Bonus Plan</u>	
<u>Federal Income Tax Consequences</u>	
<u>New Plan Benefits</u>	
<u>Vote Required</u>	
<u>Recommendation</u>	
<u>Proposal 3 Advisory Approval of the Company's Executive Compensation</u>	19
<u>Vote Required</u>	
<u>Recommendation</u>	
<u>Proposal 4 Approval of Amendment to the National CineMedia, Inc. 2007 Equity Incentive Plan to Increase the Number of Shares Available for Issuance and to Approve Performance Goals</u>	20
<u>Purpose</u>	
<u>Burn Rate Analysis</u>	
<u>Summary of the Equity Plan</u>	
<u>Federal Income Tax Consequences</u>	
<u>New Plan Benefits and Other Information</u>	
<u>Vote Required</u>	
<u>Recommendation</u>	
<u>Equity Incentive Plan Information</u>	
<u>Proposal 5 Ratification of Independent Auditors</u>	26
<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	
<u>Fees Paid to Independent Auditors</u>	
<u>Pre-Approval Policies and Procedures</u>	
<u>Vote Required</u>	
<u>Recommendation</u>	
<u>Proposal 6 Stockholder Proposal Regarding Majority Voting in Director Elections</u>	28
<u>Stockholder Proposal and Supporting Statement</u>	
<u>Board of Directors' Response in Opposition to Stockholder Proposal</u>	
<u>Vote Required</u>	
<u>Recommendation</u>	
<u>Audit Committee Report</u>	30
<u>Compensation Committee Report</u>	31

**Table of Contents**

TABLE OF CONTENTS

<u>Compensation of Committee Interlocks and Insider Participation</u>	31
<u>Compensation Discussion and Analysis</u>	32
<u>Executive Summary</u>	
<u>Say-on-Pay Result</u>	
<u>Compensation Philosophy</u>	
<u>Role of Compensation Consultant and CEO in Determining Executive Compensation</u>	
<u>Elements of Compensation</u>	
<u>2012 Compensation</u>	
<u>Compensation Decisions for 2013</u>	
<u>Executive Compensation Tables</u>	45
<u>Fiscal 2012 Summary Compensation Table</u>	
<u>Fiscal 2012 Grants of Plan-Based Awards</u>	
<u>Non-Equity Incentive Plan Awards</u>	
<u>Equity Incentive Plan Awards</u>	
<u>Outstanding Equity Awards at December 27, 2012</u>	
<u>Option Exercises and Stock Vested at December 27, 2012</u>	
<u>Potential Payments Upon Termination or Change in Control</u>	
<u>Employment Agreements</u>	
<u>Director Compensation</u>	
<u>Fiscal 2012 Director Compensation</u>	
<u>Certain Relationships and Related Party Transactions</u>	57
<u>General</u>	
<u>Transactions with Founding Members</u>	
<u>Other Transactions</u>	
<u>Transactions with NCM LLC</u>	
<u>Review, Approval or Ratification of Transactions with Related Persons</u>	
<u>Corporate Code of Conduct</u>	74
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	74
<u>Householding</u>	74
<u>Proposals of Stockholders</u>	74
<u>Other Business</u>	75
Appendix A	A-1
National CineMedia, Inc. Executive Performance Bonus Plan	
Appendix B	B-1
National CineMedia, Inc. 2007 Equity Incentive Plan	

---

**Table of Contents**

**NATIONAL CINEMEDIA, INC.**

**PROXY STATEMENT FOR THE 2013**

**ANNUAL MEETING OF STOCKHOLDERS**

The accompanying proxy is solicited by the board of directors of National CineMedia, Inc., a Delaware corporation ( "NCM, Inc. ", or the Company ), for use at the 2013 Annual Meeting of Stockholders to be held at United Artists Theatre Meadows 12, located at 9355 Park Meadows Drive, Littleton, Colorado 80124, on Wednesday, May 1, 2013, at 9:00 a.m., Mountain Time, and at any and all adjournments and postponements thereof (the "Annual Meeting "). Unless the context otherwise requires, the references to "we ", "us " or "our " refer to the Company and its consolidated subsidiary National CineMedia, LLC ( "NCM LLC "). The proxy may be revoked at any time before it is voted. If no contrary instruction is received, signed proxies returned by stockholders will be voted in accordance with the board of directors' recommendations.

This proxy statement and accompanying proxy are first being made available to stockholders on or about March 20, 2013.

**SHARES OUTSTANDING AND VOTING RIGHTS**

Our board of directors has fixed the close of business on March 12, 2013 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. Our only outstanding voting stock is our common stock, \$0.01 par value per share, of which 56,932,231 shares were outstanding as of the close of business on the record date, which includes 2,092,097 shares of unvested restricted stock with voting rights. Each outstanding share of common stock is entitled to one vote.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to us (Attention: Secretary) a written notice of revocation or a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not in itself constitute a revocation of a proxy.

At the Annual Meeting, stockholders will vote on six proposals: to elect three directors to serve until the 2016 Annual Meeting of Stockholders, and until their respective successors are elected and qualified (Proposal 1); to approve the National CineMedia, Inc. Executive Performance Bonus Plan (Proposal 2); advisory approval of the Company's executive compensation (Proposal 3); to approve the amendment to the National CineMedia, Inc. 2007 Equity Incentive Plan to increase the number of shares available for issuance and to approve performance goals (Proposal 4); to ratify the appointment of Deloitte & Touche LLP as our independent auditors for our 2013 fiscal year ending December 26, 2013 (Proposal 5); and to consider a stockholder proposal regarding majority voting in director elections if properly presented (Proposal 6).

Stockholders representing a majority in voting power of the shares of stock outstanding and entitled to vote must be present or represented by proxy in order to constitute a quorum to conduct business at the Annual Meeting. With respect to the election of directors, our stockholders may vote in favor of the nominees, may withhold their vote for all of the nominees, or may withhold their vote as to specific nominees. The affirmative vote of the holders of a plurality of the votes of the holders of shares present in person or represented by proxy at the Annual Meeting and entitled to vote thereon is required to approve the election of each nominee named in Proposal 1. Under the Delaware General Corporation Law ( "DGCL ") and our Bylaws and Certificate of Incorporation, the affirmative vote of the holders of a majority in voting power of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote thereon is required to approve Proposals 2, 3, 4, 5 and 6.

Abstentions may be specified on all proposals and will be counted as present for the purposes of the proposal for which the abstention is noted. A vote withheld for a nominee in the election of directors will have no effect. For purposes of determining whether any of the other proposals have received the requisite vote, where a stockholder abstains from voting, it will have the same effect as a vote against the proposal.



## **Table of Contents**

The independent tabulator appointed for the Annual Meeting will tabulate votes cast by proxy or in person at the Annual Meeting. For the purposes of determining whether a proposal has received the requisite vote of the holders of the common stock in instances where brokers are prohibited from exercising or choose not to exercise discretionary authority for beneficial owners who have not provided voting instructions (so-called "broker non-votes"), those shares of common stock will not be included in the vote totals and, therefore, will have no effect on the vote on any of such proposals. Pursuant to the Financial Industry Regulatory Authority ("FINRA") Conduct Rules, brokers who hold shares in street name have the authority, in limited circumstances, to vote on certain items when they have not received instructions from beneficial owners. A broker will only have such authority if:

the broker holds the shares as executor, administrator, guardian or trustee or is a similar representative or fiduciary with authority to vote; or

the broker is acting pursuant to the rules of any national securities exchange of which the broker is also a member.

Prior to 2010, the election of directors was considered a routine matter for which brokers were permitted to vote shares without customer direction, however brokers are no longer permitted to vote shares for the election of directors in this manner. Brokers also will not be permitted to vote shares with respect to the approval of the Company's Executive Performance Bonus Plan, the advisory approval of the Company's executive compensation or the approval of the amendment to the Company's 2007 Equity Incentive Plan without customer direction. ***Therefore, we urge you to give voting instructions to your broker on all six proposals.*** Shares that are not voted by a broker given the absence of customer direction are called "broker non-votes." Broker non-votes are not considered votes for or against a proposal and therefore will have no direct impact on any proposal. Under these rules, absent authority or directions described above, brokers will not be able to vote on Proposals 1 through 4 and Proposal 6, which are considered non-routine matters. Proposal 5 is a routine proposal on which a broker or other nominee is generally empowered to vote. Accordingly, no broker non-votes will likely result from Proposal 5.

## **Costs of Solicitation**

We will pay the cost of soliciting proxies for the Annual Meeting. Proxies may be solicited by our regular employees, without additional compensation, in person, or by mail, courier, telephone or facsimile. We may also make arrangements with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of stock held of record by such persons. We may reimburse such brokerage houses, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection therewith.

## **Annual Report**

Our 2012 Annual Report on Form 10-K, including the audited consolidated financial statements as of and for the year ended December 27, 2012, is available to all stockholders entitled to vote at the Annual Meeting together with this proxy statement, in satisfaction of the requirements of the Securities and Exchange Commission (the "SEC"). Additional copies of the Annual Report are available at no charge upon request. To obtain additional copies of the Annual Report, please contact us at 9110 E. Nichols Ave., Suite 200, Centennial, Colorado 80112-3405, Attention: Investor Relations, or at telephone number (303) 792-3600 or (800) 844-0935 investor relations. You may also view the Annual Report at <http://www.ncm.com> at the Investor Relations link. The Annual Report does not form any part of the materials for the solicitation of proxies.

**Table of Contents****VOTING SECURITIES AND PRINCIPAL HOLDERS****Beneficial Ownership**

Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power over securities. Except in cases where community property laws apply or as indicated in the footnotes to this table, we believe that each stockholder identified in the table possesses sole voting and investment power over all shares of common stock shown as beneficially owned by the stockholder. As of March 12, 2013, the percentage of beneficial ownership for NCM, Inc. is based on 56,932,231 shares of common stock outstanding (including unvested restricted stock) and 112,371,713 membership units outstanding for NCM LLC, of which 54,840,134 are owned by NCM, Inc. Unless indicated below, the address of each individual listed below is 9110 E. Nichols Ave., Suite 200, Centennial, Colorado 80112- 3405. The following table sets forth information regarding the beneficial ownership of our common stock as of March 12, 2013, by:

each person (or group of affiliated persons) who is known by us to own beneficially more than 5% of our common stock;

each of our named executive officers;

each of our directors and nominees for director; and

all directors and executive officers as a group.

Name of Beneficial Owner	Shares of NCM, Inc. Common Stock	NCM LLC Common Membership Units (1)	Percent of Class
<b>Five Percent Stockholders</b>			
Regal Entertainment Group and Affiliates (2)		22,113,150	19.7%
Cinemark Holdings, Inc. and Affiliates (3)		18,094,644	16.1%
American Multi-Cinema, Inc. and Affiliates (4)		17,323,782	15.4%
Janus Capital Management LLC and Affiliates (5)	7,429,929		13.5%
AllianceBernstein LP (6)	5,085,368		9.3%
BlackRock, Inc. (7)	4,655,396		8.5%
Ameriprise Financial, Inc. and Affiliates (8)	4,086,902		7.5%
TimesSquare Capital Management, LLC (9)	2,797,200		5.1%
The Vanguard Group, Inc. and Affiliates (10)	2,961,829		5.4%
<b>Directors and Executive Officers</b>			
Kurt C. Hall (11)	1,805,382		3.3%
Clifford E. Marks (12)	802,028		1.5%
Gary W. Ferrera (13)	413,554		*
Ralph E. Hardy (14)	298,729		*
Earl B. Weihe (15)	221,207		*
Gerardo I. Lopez	0		0%
Amy E. Miles	0		0%
Lee Roy Mitchell	0		0%
Craig R. Ramsey	0		0%
Lawrence A. Goodman	16,617		*
David R. Haas	33,197		*
James R. Holland, Jr.	27,197		*
Stephen L. Lanning	18,736		*
Edward H. Meyer	20,736		*
Scott N. Schneider	27,197		*

## Edgar Filing: National CineMedia, Inc. - Form DEF 14A

All directors, nominees for director and executive officers as a group (15 persons)	3,684,580	6.7%
---	-----------	------

\* Less than one percent.

## **Table of Contents**

- (1) NCM LLC common membership units are redeemable at any time at the option of the holder. Upon any redemption, we may choose whether to redeem the units for shares of our common stock on a one-for-one basis or for a cash payment equal to the market price of shares of NCM, Inc. common stock. If each member of NCM LLC chose to redeem all of its NCM LLC common membership units and we elected to issue shares of NCM, Inc. common stock in redemption of all of the units, AMC would receive 17,323,782 shares of NCM, Inc. common stock, Cinemark would receive 18,094,644 shares of NCM, Inc. common stock and Regal would receive 22,113,150 shares of NCM, Inc. common stock. These share amounts would represent 15.4%, 16.1% and 19.7%, respectively, of our outstanding common stock, assuming that all of the NCM LLC units are converted into our common stock.
- (2) Includes Regal Entertainment Group, Regal Entertainment Holdings, Inc., Regal Cinemas Corp., Regal CineMedia Holdings, LLC and Regal Cinemedia Corp. at 7132 Regal Lane, Knoxville, Tennessee 37918 and Anschutz Company and Phillip F. Anschutz at 555 Seventeenth Street, Suite 2400, Denver, Colorado 80202. Represents beneficial ownership as of March 15, 2012 based on the Statement of Changes in Beneficial Ownership of Securities on Form 4 filed on March 19, 2012.
- (3) Includes Cinemark Holdings, Inc., Cinemark USA Inc. and Cinemark Media, Inc. The address of these stockholders is 3900 Dallas Parkway, Suite 500, Plano, Texas 75093. Represents beneficial ownership as of March 15, 2012 based on the Statement of Changes in Beneficial Ownership of Securities on Form 4 filed on March 19, 2012.
- (4) Includes American Multi-Cinema, Inc., AMC Entertainment Inc., Marquee Holdings Inc. and AMC Entertainment Holdings, Inc. The address of these stockholders is 920 Main Street, Kansas City, Missouri 64105. Represents beneficial ownership as of March 17, 2011 based on the Statement of Changes in Beneficial Ownership of Securities on Form 4 filed on March 23, 2011.
- (5) The address of these stockholders is 151 Detroit Street, Denver, Colorado 80206. Represents beneficial ownership as of December 31, 2012 based on the Statement of Beneficial Ownership filed on Schedule 13G/A on February 14, 2013.
- (6) The address of this stockholder is 1345 Avenue of the Americas, New York, New York 10105. Represents beneficial ownership as of December 31, 2012 based on the Statement of Beneficial Ownership filed on Schedule 13G/A on February 12, 2013.
- (7) The address of this stockholder is 40 East 52<sup>nd</sup> Street, New York, New York 10022. Represents beneficial ownership as of December 31, 2012 based on the Statement of Beneficial Ownership filed on Schedule 13G/A on February 1, 2013.
- (8) Includes Ameriprise Financial, Inc. and Columbia Management Investment Advisers, LLC. The address of these stockholders is 145 Ameriprise Financial Center, Minneapolis, Minnesota 55474 and 225 Franklin Street, Boston, Massachusetts 02110, respectively. Represents beneficial ownership as of December 31, 2012 based on the Statement of Beneficial Ownership filed on Schedule 13G/A on February 13, 2013.
- (9) The address of this stockholder is 1177 Avenue of the Americas, 39<sup>th</sup> Floor, New York, New York 10036. Represents beneficial ownership as of December 31, 2012 based on the Statement of Beneficial Ownership filed on Schedule 13G/A on February 11, 2013.
- (10) Includes Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd. The address of this stockholder is 100 Vanguard Blvd. Malvern, PA 19355. Represents beneficial ownership as of December 30, 2012 based on the Statement of Beneficial Ownership filed on Schedule 13G on February 12, 2013.
- (11) Includes 1,140,763 stock options that were vested and exercisable within 60 days of March 12, 2013.
- (12) Includes 478,651 stock options that were vested and exercisable within 60 days of March 12, 2013.
- (13) Includes 288,231 stock options that were vested and exercisable within 60 days of March 12, 2013.
- (14) Includes 189,536 stock options that were vested and exercisable within 60 days of March 12, 2013.
- (15) Includes 133,086 stock options that were vested and exercisable within 60 days of March 12, 2013.

---

**Table of Contents**

**Adoption of Share Ownership Guidelines**

On January 16, 2013, the Company adopted the following share ownership guidelines for its executive officers and directors:

<b>Position</b>	<b>Minimum Share Ownership Level</b>
President, Chief Executive Officer and Chairman	Lesser of: 3 times base salary or 140,000 shares
Other executive officers	Lesser of: 1 times base salary or 20,000 shares
Board members	Lesser of: 3 times annual Board cash retainer or 8,000 shares

Each individual is expected to attain the minimum ownership level within five years of the effective date of the policy, or the individual's date of appointment, if later. If the minimum ownership level is not attained within the required timeframe, holding restrictions will apply. Upon vesting of equity awards, 50% of the individual's shares that become vested will be subject to holding restrictions until the minimum ownership level is attained. Ownership levels are determined based on Company common stock owned by each individual, including shares of unvested timed-based restricted stock and in-the-money vested stock options.

**Anti-Hedging Policy**

The Company's insider trading policy includes provisions that prohibit all employees and directors from entering into hedging transactions with respect to Company stock.

**Anti-Pledging Policy**

The Company's insider trading policy includes provisions that prohibit all employees and directors from keeping Company stock in a margin account or using Company stock as collateral for a loan. To our knowledge, none of our officers or directors has pledged any of his or her shares.

## **Table of Contents**

### **PROPOSAL 1**

#### **ELECTION OF DIRECTORS**

Our board of directors currently consists of ten directors. Under the director designation agreement dated as of February 13, 2007, each of our founding members AMC Entertainment Inc. and its affiliates (AMC), Cinemark Holdings, Inc. and its affiliates (Cinemark) and Regal Entertainment Group and its affiliates (Regal) are permitted to appoint or designate up to two persons for nomination to election on our board of directors under the terms set forth in the agreement, one of which must qualify as independent as required by the rules promulgated by the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act), and by the Nasdaq Stock Market (Nasdaq). See Certain Relationships and Related Party Transactions Director Designation Agreement. The designees pursuant to this agreement for AMC are Edward H. Meyer and Gerardo I. Lopez; for Cinemark are James R. Holland, Jr. and Lee Roy Mitchell; and for Regal are Stephen L. Lanning and Amy E. Miles.

Our bylaws provide that directors are divided into three classes, designated as Class I, Class II and Class III. The members of each class serve for staggered three-year terms. In 2013, the Class III directors are up for re-election with the exception of Gerardo I. Lopez. Mr. Lopez will be replaced as the AMC designee under the director designation agreement by Craig Ramsey, the Chief Financial Officer of AMC. Mr. Lopez has served as a Director of NCM, Inc. since April 2009. At the Annual Meeting, the stockholders will elect three Class III directors including Mr. Ramsey to serve until the 2016 Annual Meeting of Stockholders, and until their respective successors are duly elected and qualified. Stockholders are not entitled to cumulate votes in the election of directors and may not vote for a greater number of persons than the number of nominees named.

We are soliciting proxies in favor of the election or re-election of each of the nominees identified below. We intend that all properly executed proxies will be voted for these three nominees unless otherwise specified. All nominees have consented to serve as directors, if elected. If any nominee is unwilling to serve as a director at the time of the Annual Meeting, the persons who are designated as proxies intend to vote, in their discretion, for such other persons, if any, as may be designated by the board of directors. The proxies may not vote for a greater number of persons than the number of nominees named. As of the date of this proxy statement, the board of directors has no reason to believe that any of the persons named below will be unable or unwilling to serve as a nominee or as a director.

#### **Business Experience of the Nominees**

The names of the nominees and other information about them, including their directorships at public companies held at any time during the past five years, if applicable, and their involvement in certain legal proceedings during the past 10 years, if applicable, are set forth below. In addition, we have included information about each nominee's specific experience, qualifications, attributes or skills that led the board to conclude that the nominee should serve as a director of the Company at the time we are filing this proxy statement, in light of our business and corporate structure.

*Amy E. Miles.* Ms. Miles has served as a director of NCM Inc. since June 2011. Ms. Miles has served as a director and Chief Executive Officer of Regal since June 2009. Ms. Miles previously served as Regal's Executive Vice President, Chief Financial Officer and Treasurer from March 2002 through June 2009 and in various executive roles at Regal Cinemas, Inc., Regal's wholly owned subsidiary. Ms. Miles was a Senior Manager with Deloitte & Touche from 1998 to 1999 and was with Pricewaterhouse Coopers, LLP from 1989 to 1998.

Ms. Miles has served in various executive positions at the most senior level of a public company in the theatre industry, which gives her the ability to understand the role of the board as well as the Company and its operations. Since Ms. Miles is a board designee for one of our founding members, she brings to the board the perspective of a major stakeholder.

**Table of Contents**

*Lee Roy Mitchell.* Mr. Mitchell has served as a director of NCM, Inc. since October 2006. Mr. Mitchell has served as Chairman of the Board of Cinemark USA, Inc. since March 1996 and as a Director since its inception in 1987 and Chief Executive Officer of Cinemark USA, Inc. until December 2006. Mr. Mitchell serves on the boards of Cinemark Holdings, Inc. and National Association of Theatre Owners.

Mr. Mitchell has over four decades of executive leadership experience, including a key role in the theatre industry and brings important institutional knowledge to the board. Mr. Mitchell's experience enables him to share with the board suggestions about how similarly situated companies effectively assess and undertake business considerations and opportunities. Since Mr. Mitchell is a board designee for one of our founding members, he brings to the board the perspective of a major stakeholder.

*Craig R. Ramsey.* Mr. Ramsey, age 61, serves as the Executive Vice President and Chief Financial Officer of AMC Entertainment Inc. ( "AMC" ) and oversees all financial areas of the company, including accounting, information systems, asset and liability management, and investor relations. Mr. Ramsey began his career with AMC in 1995 as the Director of Financial Reporting. He was promoted to Vice President of Finance in January 1997; to Senior Vice President in August 1998; and to Chief Financial Officer in February 2000. Mr. Ramsey is a certified public accountant. His professional affiliations include memberships in the American Institute of Certified Public Accountants, the Financial Executives Institute and the Missouri Society of Certified Public Accountants.

Mr. Ramsey is qualified to serve on our board based on his extensive financial experience in the media industry. Since Mr. Ramsey is a board designee for one of our founding members, he brings to the board the perspective of a major stakeholder.

**Board Composition**

Shown below are the names and ages, as of March 12, 2013, of the ten members of our current board of directors.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Kurt C. Hall	53	President, Chief Executive Officer and Chairman (Class I)
Lawrence A. Goodman	58	Director (Class I)
David R. Haas	71	Director (Class II)
James R. Holland, Jr.	69	Director (Class II)
Stephen L. Lanning	59	Director (Class II)
Gerardo I. Lopez	53	Director (Class III)
Edward H. Meyer	86	Director (Class II)
Amy E. Miles	46	Director (Class III)
Lee Roy Mitchell	76	Director (Class III)
Scott N. Schneider	55	Director (Class I)

Set forth below is a brief description of the business experience of each of the individuals who, in addition to the nominees whose business experience is set forth above, currently serve on our board and are expected to continue to serve as our directors following the annual meeting, including their directorships at public companies held at any time during the past five years, if applicable, and their involvement in certain legal proceedings during the past 10 years, if applicable. In addition, we have included information about each director's specific experience, qualifications, attributes or skills that led the board to conclude that the director should serve as a director of the Company at the time we are filing this proxy statement, in light of our business and corporate structure.

*Kurt C. Hall.* Mr. Hall was appointed President, Chief Executive Officer and Chairman of NCM, Inc. in February 2007 and held those same positions with NCM LLC since March 2005. He has also served as

## **Table of Contents**

Chairman, President and Chief Executive Officer of NCM, Inc. since October 2006. Prior to his current position, from May 2002 to May 2005, Mr. Hall served as Co-Chairman and Co-Chief Executive Officer of Regal Entertainment Group and President and Chief Executive Officer of its media subsidiary Regal CineMedia Corporation. Since 1988, Mr. Hall has held various executive positions with United Artists Theatre Company, and its predecessor companies, including CFO and then CEO prior to it becoming part of Regal Entertainment Group in 2002. Mr. Hall served on the board of directors of IdeaCast, Inc. and on its compensation committee from 2007 until 2009. In 2009, upon the restructuring of IdeaCast, Inc. and the merger of certain assets into RMG Networks, Inc., Mr. Hall joined the board of directors of RMG Networks, Inc., a privately held company, and serves as a member of its compensation committee.

Mr. Hall has contributed significantly to the founding and development of the Company since its inception. He has extensive experience in the theatre exhibitor and cinema advertising businesses and is familiar with all aspects of the Company, including its management, operations and financial requirements and brings exceptional leadership and financial skills to the Company. Mr. Hall's extensive theatre operating and finance experience provides insight and continuity in our strategic, operational and financial management.

*Lawrence A. Goodman.* Mr. Goodman has been a director and chairman of the Compensation Committee of NCM, Inc. since February 2007. Mr. Goodman founded White Mountain Media, a media consulting company, in July 2004 and has served as its president since inception. From July 2003 to July 2004, Mr. Goodman was retired. From March 1995 to July 2003, Mr. Goodman was the President of Sales and Marketing for CNN, a division of Turner Broadcasting System, Inc. Mr. Goodman currently serves as a director of Sagacity Media and formerly served on the board of Authenticlick, Inc, which are both privately held.

Mr. Goodman's extensive background in the media industry allows him to provide media sales and marketing advice to our management and board. Mr. Goodman brings significant business experience to provide strategies and solutions to address the complex compensation environment of the media business that is required to appropriately compensate and motivate our sales personnel and executives.

*David R. Haas.* Mr. Haas has served as a director of NCM, Inc. and chairman of the Audit Committee of NCM, Inc. since February 2007. He has been a private investor and financial consultant since January 1995. Mr. Haas was a Senior Vice President and Controller for Time Warner, Inc. from January 1990 through December 1994. Mr. Haas served as a director and chair of the audit committee of Armor Holdings, Inc. until July 2007.

Mr. Haas' experience as a former high-ranking financial executive in a media company qualifies him to serve on our board of directors, the Audit Committee and to provide guidance to our internal audit function and financial advice to our board. In addition, Mr. Haas' previous experience serving on several public company boards and audit committees has provided him a broad-based understanding of financial risks and compliance expertise.

*James R. Holland, Jr.* Mr. Holland has served as lead director of NCM, Inc. since February 2007. He has been the President and Chief Executive Officer of Unity Hunt, Inc., a diversified holding company, since September 1991, and is currently Chairman of the Board and also serves on its executive committee. He also serves as Chairman of the Governance and Nominating Committee of Texas Capital Bancshares, Inc., serves as a director of Placid Holding Co. and serves as Chairman of the Board of directors and a member of the audit and compensation committees of Hunt Midwest Enterprises, Inc.

Mr. Holland has demonstrated leadership abilities and extensive knowledge of complex financial and operational issues facing public companies. In addition, his experience as a board and audit committee member and as chief executive officer of various companies, as well as his financial expertise, brings necessary skills and viewpoints to the board.



## **Table of Contents**

*Stephen L. Lanning.* Mr. Lanning has served as a director of NCM, Inc. and chairman of the Nominating and Governance Committee of NCM, Inc. since February 2007. Prior to his retirement in 2009, he served with URS Corp. EG&G Division from 2006 to 2009 as an independent consultant and Director of Space and Information Operations Strategic Business Element. Mr. Lanning served in the United States Air Force from 1977 until 2006. From 2005 to 2006, Mr. Lanning was the Director, Logistics and Warfighting Integration, and Chief Information Officer for the United States Air Force Space Command. Mr. Lanning was a Principal Director of the Defense Information Systems Agency from 2002 to 2005.

Mr. Lanning has significant experience in technology, operational leadership and policy development combined with his drive for innovation and excellence, which positions him well to serve as our governance committee chairman. Mr. Lanning's background allows him to share best practices with our board of directors. His years of serving in the military have given him valuable knowledge and perspective.

*Edward H. Meyer.* Mr. Meyer has served as a director of NCM, Inc. since February 2007. Mr. Meyer founded Ocean Road Advisors, Inc., an investment management company, in January 2007, and currently serves as Chairman and Chief Executive Officer. He was Chairman, Chief Executive Officer and President of advertising agency Grey Global Group, Inc. from 1972 to December 2006. Mr. Meyer also serves as a director and member of the compensation committee of Harman International Industries, Inc. and director and member of the compensation committee of Retail Opportunity Investments Corp., as well as various privately held organizations.

Mr. Meyer's senior executive positions in advertising and investment management give him the experience to critically review the various business considerations necessary to run a business such as ours. Mr. Meyer is able to offer the board sound business and financial strategies. This, combined with his many years of experience, makes him a valued contributor to the Company.

*Scott N. Schneider.* Mr. Schneider has been a director of NCM, Inc. since February 2007. Mr. Schneider became the Chief Executive Officer of AHC LLC, a financial consulting and advisory firm in October 2009. He served as Operating Partner and Chairman, Media and Communications, of Diamond Castle Holdings, LP, a private equity firm, from January 2005 to September 2009. From 2001 to 2004, Mr. Schneider served in various senior executive capacities including President, Chief Operating Officer and Vice Chairman of the Board of Citizens Communications Company. Mr. Schneider formerly served as a director of Centennial Communications Corp., Bonten Media Group, LLC and PRC, LLC. While he was serving as director, PRC, LLC filed bankruptcy proceedings in January 2008. At the request of new management to assist in evaluating financial conditions and operations, Mr. Schneider joined the board of Adelphia Communications for a one-month period prior to its bankruptcy proceedings, which were filed on June 25, 2002. Mr. Schneider resigned from the board of Adelphia Communications prior to any final determination with respect to the bankruptcy proceedings.

Mr. Schneider's extensive experience in senior leadership positions at several public and private media companies makes him well suited to understand and advise the board on complex managerial, strategic and financial considerations. He has a strong knowledge of the nuances of financial markets and is able to provide a variety of perspectives on financial and operational issues as well as provide guidance to assist the Company with its public communications.

Our board of directors has determined that Lawrence A. Goodman, David R. Haas, James R. Holland, Jr., Stephen L. Lanning, Edward H. Meyer and Scott N. Schneider, all current directors, qualify as independent directors under the rules promulgated by the SEC under the Exchange Act, and by the Nasdaq. There are no family relationships among any of our executive officers, directors or nominees for director.

## **Company Leadership Structure**

The position of Board Chairman is filled by our Chief Executive Officer. We believe this combined leadership structure promotes unified leadership and direction for the board and executive management and it

## **Table of Contents**

conveys a singular, cohesive message to our stockholders, employees, founding members and the investment community. Our board has a very qualified lead director with many years of experience on other boards as lead director. Our lead director leads executive sessions of non-management directors at every quarterly board meeting and presides over meetings of the entire board in the absence of the chairman. Our lead director is James R. Holland, Jr., a member of our Audit Committee.

In addition, the Company's leadership structure is also comprised of three independent directors who serve as chairs on the board committees, as described further below. We believe this structure provides the opportunity for those independent directors to exert influence over agenda items for their respective committees and management oversight. Our lead director and other directors and management team engage frequently and directly in the flow of information and ideas. We believe our combined leadership structure facilitates the quality, quantity and timeliness of communication.

### **Board's Role in Risk Oversight**

The board as a whole has responsibility for risk oversight, including setting the tone at the top regarding the importance of risk management. The board reviews information on the Company's credit, liquidity and operations, as well as reports from management on enterprise risk and committee reports. The Compensation Committee is responsible for overseeing the management of risks relating to our executive compensation. The Audit Committee is responsible for overseeing the management of financial risks. The Nominating and Governance Committee is responsible for overseeing the management of risks associated with board independence and potential conflicts of interests. While each committee is responsible for evaluating and overseeing the management of such risks, the entire board is regularly informed of each committee's analysis.

Gary Ferrera, Executive Vice President and Chief Financial Officer, was the Chief Risk Officer through his resignation on March 1, 2013. Jeff Cabot, our Senior Vice President and Controller, became our Chief Risk Officer on March 1, 2013. The Chief Risk Officer provided quarterly updates to the board on the strategic, operational, financial, compliance and reputational risks facing the Company, which serves to ensure that risk management is a priority within the organization and the Company's risk oversight is aligned with its strategies.

### **Compensation Risk Assessment**

We do not believe we currently have overall compensation practices that are reasonably likely to have a material adverse effect on the Company. Our Compensation Committee reviewed the compensation policies and practices for all employees, including executive officers. The Compensation Committee considered whether the compensation program encouraged excessive risk taking by employees at the expense of long-term Company value. Based upon its assessment, the Compensation Committee does not believe that the compensation program encourages excessive or inappropriate risk-taking. The Compensation Committee believes that the design of the compensation program, which includes a mix of annual and long-term incentives, cash and equity awards and retention incentives, is balanced and does not motivate imprudent risk-taking.

### **Meetings of the Board of Directors and Standing Committees**

The board of directors held seven meetings during the fiscal year ended December 27, 2012. During our 2012 fiscal year, no director then in office attended fewer than 75% of the aggregate total number of meetings of the board of directors held during the period in which he or she was a director and of the total number of meetings held by all of the committees of the board of directors on which he or she served. The Company does not have a policy regarding attendance by members of the board of directors at the Company's Annual Meeting, but encourages our directors to attend. All of our directors attended our Annual Meeting of Stockholders held on May 1, 2012. The three standing committees of the board of directors are the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. In 2010, we established a Fathom special independent committee of the board to work with the Company's management and the founding members

## Table of Contents

that considered and planned the restructuring of the Fathom business. The special committee consists of Messrs. Goodman, Haas and Schneider. There were three meetings of the special committee during our 2012 fiscal year.

The following table shows the current membership and number of meetings held by the board and each standing committee during our 2012 fiscal year:

### DIRECTOR COMMITTEE MEMBERSHIP AND MEETINGS

Director	Audit Committee	Compensation Committee	Nominating and Governance Committee	Board of Directors
Kurt C. Hall				Chair
Lawrence A. Goodman		Chair	X	X
David R. Haas	Chair			X
James R. Holland, Jr.	X			Lead Director
Stephen L. Lanning		X	Chair	X
Gerardo I. Lopez				X
Edward H. Meyer		X	X	X
Amy E. Miles				X
Lee Roy Mitchell				X
Scott N. Schneider	X			X
2012 Fiscal Year Meetings and Consents	6	10	9	7

Our bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice in writing. To be timely, a stockholder's notice generally must be delivered to and received at our principal executive offices, not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided, that in the event that the date of such meeting is advanced more than 30 days prior to, or delayed by more than 70 days after, the anniversary of the preceding year's annual meeting of our stockholders, a stockholder's notice to be timely must be so delivered not earlier than the close of business on the 120th day prior to such meeting and not later than the close of business on the later of the 90th day prior to such meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Our bylaws also specify certain requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

#### Audit Committee

For our 2012 fiscal year, the Audit Committee consisted of David R. Haas (chairman), James R. Holland, Jr. and Scott N. Schneider. Each of the committee members was independent as required by the rules promulgated by the SEC under the Exchange Act, and by the Nasdaq. Each of them also meets the financial literacy requirements of the Nasdaq. Our board of directors has determined that Mr. Haas qualifies as an audit committee financial expert as defined in the federal securities laws and regulations.

The Audit Committee is primarily concerned with overseeing management's processes and activities relating to the following:

- (1) maintaining the reliability and integrity of our accounting policies, financial reporting practices and financial statements;
- (2) the independent auditor's qualifications and independence;

## **Table of Contents**

- (3) the performance of our internal audit function and independent auditor; and
- (4) confirming compliance with laws and regulations, and the requirements of any stock exchange or quotation system on which our securities may be listed.

The Audit Committee also is responsible for establishing procedures for the receipt of complaints regarding our accounting, internal accounting controls or audit matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Audit Committee's responsibilities are set forth in its charter, which was approved by the board of directors on January 8, 2008 and was most recently reviewed by the Audit Committee in January 2013. A copy of the charter is available on our website at *NCM.com* at the Investor Relations link. There were six meetings of the Audit Committee during our 2012 fiscal year.

### ***Compensation Committee***

For our 2012 fiscal year, the Compensation Committee consisted of Lawrence A. Goodman (chairman), Stephen L. Lanning and Edward H. Meyer. Each member was independent as defined in the rules promulgated by the SEC under the Exchange Act and by the Nasdaq and each also qualifies as an outside director within the meaning of Section 162(m) of the Internal Revenue Code and a non-employee director for purposes of Rule 16b-3 under the Exchange Act. David R. Haas was added to the Compensation Committee on January 13, 2013.

The Compensation Committee's purposes, as set forth in its charter, are:

- (1) to assist the board in discharging its responsibilities relating to compensation of our executives;
- (2) to administer our equity incentive plans (other than any such plan applicable only to non-employee directors); and
- (3) to have overall responsibility for approving and evaluating all of our compensation plans, policies and programs that affect our executive officers.

The Compensation Committee's responsibilities are set forth in its charter, which is reviewed at least annually. The current Compensation Committee charter was approved by the board of directors on January 8, 2008 and was most recently reviewed by the Committee in January 2013. A copy of the charter is available on our website at *NCM.com* at the Investor Relations link. There were ten meetings of the Compensation Committee during our 2012 fiscal year.

The Compensation Committee performs such functions and responsibilities enumerated in its charter as appropriate in furtherance of its purposes. The Compensation Committee is authorized to form and delegate responsibility to subcommittees of the Compensation Committee as it deems necessary or appropriate, provided, however, that any such subcommittees shall meet all applicable independence requirements and that the Compensation Committee shall not delegate to persons other than independent directors any functions that are required under applicable law, regulation or Nasdaq rule to be performed by independent directors.

In 2012, the Compensation Committee engaged ClearBridge Compensation Group, LLC (ClearBridge), a nationally recognized consulting firm, to assess the competitiveness of pay for the executive officers and provide independent advice and recommendations to the Compensation Committee regarding executive compensation. The Compensation Committee reviewed ClearBridge's independence status and determined that there were no conflicts of interest and that ClearBridge is independent from the Company, our Compensation Committee and our executive officers.

### ***Nominating and Governance Committee***

For our 2012 fiscal year, Stephen L. Lanning (chairman), Lawrence A. Goodman and Edward H. Meyer served as the members of the Nominating and Governance Committee. All of the members of our Nominating

## **Table of Contents**

and Governance Committee are independent as determined in accordance with Nasdaq rules and relevant federal securities laws and regulations. Scott N. Schneider was added to the Nominating and Governance Committee January 13, 2013.

The Nominating and Governance Committee's purposes, as set forth in its charter, are:

- (1) to identify individuals qualified to become board members, and to recommend that the board select the director nominees for the next annual meeting of stockholders;
- (2) to oversee the evaluation of our management and the board; and
- (3) to review from time to time the Corporate Governance Guidelines applicable to us and to recommend to the board such changes as it may deem appropriate.

The Nominating and Governance Committee's responsibilities are set forth in its charter, which was approved by the board of directors on January 8, 2008 and was most recently reviewed by the Committee in January 2013. A copy of the charter as well as our Corporate Governance Guidelines is available on our website at *NCM.com* at the Investor Relations link. There were nine meetings of the Nominating and Governance Committee during our 2012 fiscal year.

Other than the director candidates designated by our founding members, the Nominating and Governance Committee identifies individuals qualified to become board members and recommends director nominees to our board for each annual meeting of stockholders. It also reviews the qualifications and independence of the members of our board of directors and its various committees on a regular basis and makes any recommendations the committee members may deem appropriate from time to time concerning any changes in the composition of our board of directors and its committees. The Nominating and Governance Committee recommends to our board of directors the corporate governance guidelines and standards regarding the independence of outside directors applicable to us and reviews such guidelines and standards and the provisions of the Nominating and Governance Committee charter on a regular basis to confirm that such guidelines, standards and charter remain consistent with sound corporate governance practices and with any legal, regulatory or Nasdaq requirements. The Nominating and Governance Committee also monitors our board of directors and our compliance with any commitments made to regulators or otherwise regarding changes in corporate governance practices and leads our board of directors in its annual review of our board of directors' performance.

*Nomination of Directors.* The nominees for election or re-election to our board of directors at the 2013 Annual Meeting were designated by our founding members, were formally nominated by the Nominating and Governance Committee and were approved by the board of directors on January 16, 2013. Mr. Ramsey, who is a new nominee to the board, was designated by AMC pursuant to the Director Designation Agreement.

As the need to fill vacancies arises in the future, the Nominating and Governance Committee will refer to its list of potential candidates that is maintained and updated on an on-going basis and will seek individuals qualified to become board members for recommendation to the board. The Nominating and Governance Committee would consider potential director candidates recommended by stockholders and would use the same criteria for screening all candidates, regardless of who proposed such candidates. See "Stockholder Communications" below for information on how our stockholders may communicate with our board of directors.

The Nominating and Governance Committee and the board of directors consider whether candidates for nomination to the board of directors possess the following qualifications, among others:

- (a) the highest level of personal and professional ethics, integrity, and values;
- (b) expertise that is useful to us and is complementary to the background and expertise of the other members of the board of directors;
- (c)

## Edgar Filing: National CineMedia, Inc. - Form DEF 14A

a willingness and ability to devote the time necessary to carry out the duties and responsibilities of membership on the board of directors;

## **Table of Contents**

- (d) a desire to ensure that our operations and financial reporting are effected in a transparent manner and in compliance with applicable laws, rules, and regulations; and

- (e) a dedication to the representation of our best interests and all of our stockholders, including our founding members.

*Diversity of Directors.* In considering whether to recommend any candidate for inclusion in the slate of director nominees, including candidates recommended by stockholders, the Nominating and Governance Committee complies with the Company's Corporate Governance Guidelines and Corporate Code of Conduct. In addition to considering characteristics such as age, race, and gender, the Committee seeks nominees that will complement the experience, knowledge and abilities of the other board members. Nominees are not discriminated against on the basis of race, gender, religion, national origin, sexual orientation, disability or any other basis prescribed by law.

## **Stockholder Communications**

Our board of directors provides a process for stockholders to send communications to the board. Information on communicating directly with the board of directors is available on our website at [www.ncm.com](http://www.ncm.com) at the Investor Relations link.

## **Vote Required**

Directors will be elected by a plurality of the votes of the holders of shares present in person or by proxy at the Annual Meeting.

## **Recommendation**

The board of directors recommends that stockholders vote **FOR** each of the nominees for director. If not otherwise specified, proxies will be voted **FOR** each of the nominees for director.

**Table of Contents**

**PROPOSAL 2**

**APPROVAL OF THE**

**NATIONAL CINEMEDIA, INC.**

**EXECUTIVE PERFORMANCE BONUS PLAN**

We are asking our stockholders to approve the National CineMedia, Inc. Executive Performance Bonus Plan (the "Performance Bonus Plan"). The Compensation Committee adopted the Performance Bonus Plan, subject to approval of our stockholders. The board of directors recommends that our stockholders approve the Performance Bonus Plan so that we may provide incentives to achieve our business objectives and also potentially receive a federal tax deduction for compensation paid under the Performance Bonus Plan.

**Purpose**

Section 162(m) of the Internal Revenue Code generally provides that compensation paid to a covered employee in excess of \$1 million is not deductible by a corporation. This deduction limit does not apply to qualifying performance-based compensation. Compensation can qualify as performance-based under this rule only if it meets several technical requirements. One of the requirements is that the material terms of the performance goals under which the compensation is to be paid must be disclosed to and subsequently approved by the company's stockholders before the compensation is paid. The material terms include: (a) the employees eligible to receive compensation; (b) the business criteria on which the performance goal is based; and (c) either the maximum amount of compensation that could be paid to any employee or the formula used to calculate the amount if the performance goal is achieved. Subject to the terms of the Performance Bonus Plan and as required for qualified performance-based compensation under Section 162(m), the Compensation Committee and approved by the board will determine the specific design of the plan for each fiscal year. The Performance Bonus Plan was adopted by the Compensation Committee on March 13, 2013, subject to approval of our stockholders and is expected to continue for five years.

If stockholders do not approve the Performance Bonus Plan, we will not pay compensation under the plan. In addition to the Performance Bonus Plan, we sponsor other compensation arrangements and incentive plans for eligible employees of NCM Inc. and our affiliates. Whether or not the Performance Bonus Plan is approved by our stockholders, we may choose to pay bonuses and other compensation to our employees, including our executives, outside of the Performance Bonus Plan on terms established by us from time to time.

**Summary of the Performance Bonus Plan**

The following summary is qualified in its entirety by reference to the Performance Bonus Plan, a copy of which is attached to this proxy statement as **Appendix A**.

*Purpose.* The purpose of the Performance Bonus Plan is to create a financial incentive for executives to achieve targeted levels of corporate, financial and strategic performance. The Performance Bonus Plan is intended to permit the payment of amounts that qualify as performance-based compensation for purposes of Section 162(m), provided all of the technical requirements of that rule are satisfied.

*Administration.* The Performance Bonus Plan is administered by our Compensation Committee (or sub-committee) or other committee designated by the board. Members of the Compensation Committee must qualify as outside directors within the meaning of Section 162(m). Subject to the terms of the plan and as required for qualified performance-based compensation under Section 162(m), the committee has the authority to (a) determine the participants and terms and conditions of awards, (b) interpret the plan and awards, (c) adopt procedures and rules to administer and interpret the plan, and (d) interpret, amend or revoke such rules.

*Eligibility.* The committee selects the employees of NCM Inc. (and its affiliates), by name or position, who are eligible to receive awards under the Performance Bonus Plan. The actual number of employees who will be eligible to receive an award during any particular year cannot be determined in advance because the committee has discretion to select the participants. We currently expect that approximately five to ten executives of NCM Inc. will participate in the Performance Bonus Plan at any given time.



## **Table of Contents**

*Target Awards and Maximum Awards.* Under the Performance Bonus Plan, the committee establishes (a) the target award for each participant, (b) the performance goals and target levels that must be obtained to be eligible for an award, and (c) the formula, matrix or other standard to determine the amount of compensation. The target award is generally expressed as a percentage of base salary, a dollar amount, or an amount determined by a formula. The maximum award payable under the Performance Bonus Plan to any participant who is determined to be a covered employee under Section 162(m) for the fiscal year is \$3,000,000.

*Performance Goals.* The committee determines the performance goals using one or more of the following measures.

Cash flow	Cost initiatives
Earnings	Earnings per share
Economic profit	Economic value added
Enterprise value	Free cash flow
Margins (gross or net)	Market share
Market value	Net income
Operating income	Return on assets
Return on capital	Return on equity
Return on investment	Revenue (gross or net)
Stock price	Strategic objectives
Total shareholder return	Debt ratios and other measures of credit quality or liquidity

The committee may choose to establish and measure performance goals (a) in absolute terms, (b) in combination, (c) in relative terms, (d) on a per-share or per-capita basis, (e) on a company-wide, business-segment or product basis, (f) on a pre-tax or after-tax basis, and/or (g) on a GAAP or non-GAAP basis. The committee may also choose to exclude the effect of extraordinary or non-recurring items, changes in accounting rules, mergers and acquisitions and other items. Performance goals and target levels can vary by participant and by performance period. The committee sets each performance period, which may consist of one or more fiscal years or a portion of a fiscal year.

*Performance Bonus Awards.* After the performance period ends, the committee certifies in writing the extent to which the performance goals and any other material terms of the awards were satisfied. The amount of the award is determined by applying the formula to the level of actual performance certified by the committee. The committee has the discretion to reduce or eliminate (but not to increase) the amount of the award. To be eligible for payment of an award, the executive generally must be employed by us on the date the awards are paid unless otherwise approved by the committee.

*Payment of Awards.* Performance bonus awards are generally paid after the end of the performance period in cash (or its equivalent) in a single lump sum payment within 30 days following the determination and certification by the committee. The committee may permit a participant to defer receipt of payment of the award subject to terms and conditions set by the committee.

*Amendment and Termination.* The board may amend, suspend or terminate the Performance Bonus Plan at any time for any reason. An amendment will be subject to stockholder approval to the extent necessary under Section 162(m).

*Term.* The Plan will continue in effect for five years following the date of approval by the Company's stockholders, unless terminated earlier by the Company.

## **Table of Contents**

### **Federal Income Tax Consequences**

Under U.S. federal tax laws currently in effect, participants will generally recognize ordinary income in the year of payment equal to the performance bonus award amount. Subject to the limitations of Section 162(m), the company will generally claim a deduction for federal income tax purposes equal to the amount of ordinary income recognized by the participant.

*Section 162(m).* Section 162(m) generally provides that compensation paid to a covered employee in excess of \$1 million is not deductible by the corporation for federal income tax purposes. A covered employee generally includes the chief executive officer of the company at the end of the taxable year and an individual serving as an officer of the company or a subsidiary at the end of such year who is among the three highest compensated officers (other than the chief executive officer and the chief financial officer) for proxy statement reporting purposes. Compensation that qualifies as performance-based compensation for purposes of Section 162(m) is excluded from this \$1 million deduction limit. The rules and regulations promulgated under Section 162(m) are complex, technical and change from time to time, sometimes with retroactive effect. In addition, a number of requirements must be met in order for particular compensation to qualify as performance-based compensation for purposes of Section 162(m).

We have designed the Performance Bonus Plan to allow us to pay awards that are intended to qualify as performance-based compensation under Section 162(m). We are requesting that stockholders approve the Performance Bonus Plan so that we may choose to pay incentive compensation that is intended to be qualifying performance-based compensation. We may, however, choose to pay other or additional compensation outside of the Performance Bonus Plan that is not intended to qualify as performance-based compensation and therefore may not be fully deductible by us.

*Section 409A.* Section 409A of the Code imposes election, payment and funding requirements on nonqualified deferred compensation plans. If a nonqualified deferred compensation arrangement subject to Section 409A fails to meet, or is not operated in accordance with, the requirements of Section 409A, then compensation deferred under the arrangement may become immediately taxable and subject to a 20% additional tax, plus interest. Unless subject to a deferral election, the performance bonus awards are generally intended to qualify for an exception under Section 409A.

**Table of Contents****New Plan Benefits**

Awards, if any, under the Performance Bonus Plan are based on actual future performance. As a result, the amounts that will be paid under the Performance Bonus Plan are not currently determinable. The Compensation Committee established target award amounts for participants under the Performance Bonus Plan for fiscal 2013. The following table sets forth the target award under the Performance Bonus Plan for fiscal 2013 for each of our executive officers, subject to stockholder approval of the Performance Bonus Plan.

<b>Name and Position</b>	<b>Fiscal 2013 Maximum Potential Performance Bonus (1)</b>
Kurt C. Hall President, Chief Executive Officer and Chairman	\$ 1,147,697
Clifford E. Marks President of Sales & Marketing	\$ 1,106,708
Gary W. Ferrera (2) Executive Vice President and Chief Financial Officer	\$
Ralph E. Hardy Executive Vice President and General Counsel	\$ 322,472
Earl B. Weihe Executive Vice President and Chief Operations Officer	\$ 286,875
Executive Officers as a Group	\$ 2,863,752
Non-Executive Director Group	
Non-Executive Officer Employee Group	

(1) Estimated maximum performance bonus, is based upon actual base salary as of January 16, 2013. Actual bonus amounts will be determined based upon base salary determined at the end of our 2013 fiscal year, subject to the limit set forth in the Plan

(2) Mr. Ferrera resigned as Executive Vice President and Chief Financial Officer, effective March 1, 2013.

**Vote Required**

The affirmative vote of a majority of the votes cast on this proposal is required to approve Proposal 2.

**Recommendation**

The board of directors recommends that stockholders vote **FOR** the approval of Proposal 2. If not otherwise specified, proxies will be voted **FOR** approval of the National CineMedia, Inc. Executive Performance Bonus Plan.

**Table of Contents**

**PROPOSAL 3**

**ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION**

As required under Section 14A of the Securities Exchange Act, stockholders are being asked to consider an advisory approval of the Company's executive compensation, also known as "say-on-pay." This non-binding advisory approval of the Company's executive compensation considers the information in this proxy statement included in the Compensation Discussion and Analysis and in the Summary Compensation Table and other related tables and narrative disclosures pursuant to the rules of the Securities and Exchange Commission.

The Compensation Committee believes that the Company's compensation policies and procedures are aligned with the short-term and long-term interests of stockholders and are designed to attract, motivate, reward and retain superior talent who are critical to our long-term growth and profitability. A significant portion of the compensation of our named executive officers is tied closely to the financial performance of the Company (approximately 60% of 2012 compensation including performance bonuses paid in 2013), thus aligning our officers' interests with those of our stockholders, including the annual performance bonus and equity incentives (refer to Compensation Discussion and Analysis Pay-for-Performance). Under these programs, we provide our executives with incentives to achieve specific annual and long-term company performance goals established by the Compensation Committee. The Compensation Committee reviews our executive compensation programs annually to ensure they align executive compensation with the interests of our stockholders and current market practices and do not encourage excessive risk-taking.

Because your approval is advisory, it will not be binding on either the board of directors or the Company. However, the Compensation Committee and board value the opinions of our stockholders and will take into account the result of the vote on this proposal when considering future executive compensation arrangements.

Our stockholders have the opportunity to vote, on an advisory basis, for the following resolution at our Annual Meeting:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and narrative discussion in this proxy statement is hereby APPROVED.

**Vote Required**

Approval of the foregoing resolution by our stockholders requires the affirmative vote of a majority of the votes cast on this proposal voting in favor of this Proposal 3.

**Recommendation**

The board of directors recommends that stockholders vote **FOR** Proposal 3, and approve on an advisory basis, the Company's executive compensation program, as presented in this proxy statement. If not otherwise specified, proxies will be voted **FOR** the approval of our executive compensation program. This say-on-pay proposal is non-binding.

**Table of Contents**

**PROPOSAL 4**

**APPROVAL OF AMENDMENT TO THE**

**NATIONAL CINEMEDIA, INC. 2007 EQUITY INCENTIVE PLAN**

**TO INCREASE THE NUMBER OF SHARES AVAILABLE FOR ISSUANCE**

**AND TO APPROVE PERFORMANCE GOALS**

We are asking our stockholders to approve an amendment to the National CineMedia, Inc. 2007 Equity Incentive Plan, as amended (the "Equity Plan"), to increase the number of shares available for issuance under the Equity Plan and to approve performance goals. The board of directors recommends that our stockholders approve the amendment because it believes that equity awards to key employees, officers and non-employee directors serve the best interests of stockholders by promoting a long-term focus for such individuals to increase the value of our stock.

**Purpose**

*Background.* On January 16, 2013, our board of directors approved an amendment to the Equity Plan share counting provision to limit the types of award shares available for reissuance. On March 13, 2013, our board of directors approved an amendment to the Equity Plan to increase the number of shares available for issuance by 2.8 million shares and approved performance goals for awards intended to qualify as performance-based compensation for purposes of Section 162(m), subject to approval by our stockholders. The equity plan was further amended to prohibit granting replacement awards in the form of cash. If our stockholders do not approve the amendment to increase the number of shares available for issuance and to approve the performance goals, the amendment will not take effect. In that event, we will continue to grant awards under the Equity Plan and it will continue to operate according to its terms as in effect without this amendment.

*Additional Shares.* The amendment increases the maximum number of shares of our common stock available for issuance under the Equity Plan from 10,076,000 shares to 12,876,000 shares, an increase of 2.8 million shares. The total number of shares authorized for issuance under the Equity Plan would represent 7.4% of our total authorized common stock assuming approval of this proposal. As of March 13, 2013, there were 930,254 shares available for awards.

*Performance Goals.* In 2009 our stockholders approved "Free Cash Flow" as the performance measure for performance-based restricted stock awards. Under the Equity Plan awards vest based on achievement of targeted levels of this performance measure over a multi-year period. The amendment includes a list of performance goals, including "Free Cash Flow," from which the Compensation Committee may select from in designating performance goals for qualifying performance-based awards. This approach provides more flexibility to the Compensation Committee in granting awards consistent with our strategic objectives from time to time.

*Governance.* We have designed the Equity Plan, as amended to include these changes, to include provisions that we believe promote best practices and protect our stockholders' interests. These provisions include, but are not limited to, the following: (a) no liberal share counting; (b) no evergreen provision; (c) no repricing without stockholder approval; and (d) no tax gross-ups.

We are asking our stockholders to approve the amendment to ensure that we have sufficient shares available for future awards and to provide flexibility to grant awards, on a potentially tax-favorable basis, that are tied to the achievement of performance goals, consistent with the long-term interests of our stockholders.

Consistent with our agreements with NCM LLC, as restricted shares vest, options are exercised and restricted stock units are settled in shares, NCM LLC will issue units equal to the number of shares of NCM, Inc.'s common stock issued in connection with such events, which will increase NCM, Inc.'s ownership in NCM LLC.

**Table of Contents****Burn Rate Analysis**

The following table does not include any options, time-based restricted stock or performance-based restricted stock awards or units that were granted and subsequently forfeited.

Fiscal Year	Options Granted	Performance-Based Restricted Stock and RSUs Granted (1)	Total Grants	Weighted Average NCM, Inc. Shares Outstanding (2)	Burn Rate	Weighted Average NCM LLC Units Outstanding (2)(3)	Fully Diluted Burn Rate
2012	562,623	911,491	1,474,114	54,377,135	2.71%	112,420,506	1.31%
2011	1,314,568	470,865	1,785,433	53,864,243	3.31%	111,582,935	1.60%
2010	1,186,507	429,585	1,616,092	46,369,411	3.49%	107,680,776	1.50%
Three-Year Average					3.17%		1.47%

- (1) Performance-based restricted stock and restricted stock units, or RSUs, awards are described further below in *Compensation Discussion and Analysis Elements of Compensation Long-Term Incentives*. The amounts are presented based on 100% of the grant date amount and do not include an estimate of performance.
- (2) Determined as of the last day of each fiscal year.
- (3) Weighted average NCM LLC units outstanding assumed redemption of common membership units.

**Summary of the Equity Plan**

The following summary is qualified in its entirety by reference to the Equity Plan, as restated to incorporate the January 16, 2013 amendment and the proposed amendment, a copy of which is attached to this proxy statement as **Appendix B**.

**Purpose; Eligibility.** The Equity Plan assists us in attracting, retaining, motivating and rewarding employees, directors and consultants, and promoting the creation of long-term value for our stockholders by aligning the interests of our executive and key staff members with those of our stockholders. The Equity Plan provides for the grant of options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based and cash awards to directors, officers, employees, consultants and other individuals who perform services for us or for our affiliates. As of December 27, 2012, six independent directors (which excludes directors who are employees of our founding members) and five officers of NCM, Inc. as well as the approximately 630 employees of NCM LLC are eligible to participate in the Equity Plan when selected by the Compensation Committee to receive awards.

**Share Reserve.** Subject to adjustment for changes in capitalization, the maximum number of shares of our \$0.01 par value common stock, available for issuance under the Equity Plan shall be 12,876,000. The share reserve is subject to adjustment in the event of any stock dividend or split, reorganization, recapitalization, merger, share exchange or any other similar corporate event. For purposes of determining the number of shares remaining available for issuance under the Equity Plan, to the extent an award expires or is canceled, forfeited, or otherwise terminated without delivery to the participant of the full number of shares to which the award related, the undelivered shares will again be available for grant. Shares withheld in payment of the exercise price or taxes relating to an award and shares for awards settled in cash are not available for reissuance under the Equity Plan. Shares issued under the Equity Plan may be authorized and unissued shares or treasury shares.

The maximum number of shares that may be covered by an award payable in shares granted under the Equity Plan to any single participant in any calendar year cannot exceed 500,000 shares, excluding substituted awards. The maximum dollar amount that may be awarded to a single participant payable in cash in any calendar year cannot exceed \$5,000,000, excluding substituted awards.

## **Table of Contents**

*Administration; No Repricing.* The board of directors has designated the Compensation Committee as the committee with authority to administer the Equity Plan. The committee administers the Equity Plan and approves those persons who will be granted awards and the amount, type and other terms and conditions of the awards. The committee has full authority to administer the Equity Plan, including the authority to interpret and construe any provision in the plan and the terms of any award agreement and to adopt such rules and regulations for administering the plan that it may deem necessary or appropriate. The Equity Plan prohibits a reduction in the exercise or grant price of an option or stock appreciation right either by lowering the price or canceling the award and granting a replacement award in the form of cash, option or stock appreciation right or other amendment treated as a repricing, without the approval of our stockholders.

*Significant Features of Incentive Awards.* The following is a description of the significant terms that apply to each type of award issued under the Equity Plan:

*Options and Stock Appreciation Rights.* Each option will entitle the holder to purchase a specified number of shares at a specified exercise price. Each option agreement will specify whether the option is an incentive stock option or ISO (within the meaning of Section 422 of the Code) or a nonqualified stock option. Each stock appreciation right will entitle the holder to receive, upon exercise, the excess of the fair market value of a share at the time of exercise over the base price of the stock appreciation right multiplied by the specified number of shares as to which the stock appreciation right is being exercised. The exercise or base price of each option and stock appreciation right cannot be less than 100% of the fair market value of a share on the date the award is granted. The term of any option or stock appreciation right cannot exceed ten years, except for substituted awards and the option or stock appreciation right will vest over a period determined by the committee. Each option or stock appreciation right agreement will specify the consequences to the award with respect to a termination of service with us and our affiliates.

*Restricted Stock and Restricted Stock Units.* The Compensation Committee may grant a restricted stock award, which is a grant of actual common shares subject to a risk of forfeiture and restrictions on transfer. The committee may also grant an award of restricted stock units, a contractual commitment to deliver shares at a future date. The terms and conditions of any restricted stock award or award of restricted stock units will be determined by the committee and such restrictions and limitations may include vesting requirements based upon the achievement of specific performance goals established by the committee with respect to the grant of one or more awards under the Equity Plan.

*Other Stock-Based Awards.* The Compensation Committee may grant other types of stock-based awards in such amounts and subject to such terms and conditions as the committee determines.

*Performance Awards.* The committee may grant awards of performance shares or performance units to participants in such amounts and upon such terms as the committee shall determine. The committee determines the performance goals using one or more of the following measures.

Cash flow	Cost initiatives
Earnings	Earnings per share
Economic profit	Economic value added
Enterprise value	Free cash flow
Margins (gross or net)	Market share
Market value	Net income
Operating income	Return on assets
Return on capital	Return on equity
Return on investment	Revenue (gross or net)
Stock price	Strategic objectives
Total shareholder return	Debt ratios and other measures of credit quality or liquidity





## **Table of Contents**

The committee may choose to establish and measure performance goals (a) in absolute terms, (b) in combination, (c) in relative terms, (d) on a per-share or per-capita basis, (e) on a company-wide, business-segment or product basis, (f) on a pre-tax or after-tax basis, and/or (g) on a GAAP or non-GAAP basis. The committee may also choose to exclude the effect of extraordinary or non-recurring items, changes in accounting rules, mergers and acquisitions or other items. Performance goals and target levels can vary by participant and by performance period. The committee sets each performance period, which may consist of one or more fiscal years or a portion of a fiscal year.

After the performance period ends, the committee certifies in writing the extent to which the performance goals and any other material terms of the awards were satisfied. The amount of the award is determined by applying the formula to the level of actual performance certified by the committee. The committee has the discretion to reduce or eliminate (but not to increase) the amount of the award. To be eligible for payment of an award, the executive generally must be employed by us on the date the awards are paid unless otherwise approved by the committee.

*Dividends and Dividend Equivalents.* The Equity Plan generally permits the committee, in its discretion, to grant awards that include regular cash dividends or dividend equivalents on a current or a deferred basis with respect to shares covered by the award.

*Change of Control; Changes in Capitalization.* The Equity Plan includes a change of control provision that generally provides for accelerated vesting of outstanding awards if the awards are not assumed, continued or substituted and the participant's service is terminated by us or an affiliate without cause or by the participant for good reason within three months prior to or one year after the consummation of a change of control (as defined in the plan). The Equity Plan includes adjustments for certain changes in capitalization.

*Tax Withholding.* The Equity Plan provides that participants may elect to satisfy certain federal, state or local income and employment tax withholding requirements by remitting to us cash or, subject to certain conditions, shares or by instructing us to withhold shares otherwise deliverable to the participant.

*Amendment and Termination.* Our board of directors may amend, modify or terminate the Equity Plan in any respect, except that, to the extent that any applicable law, regulation or rule of a stock exchange requires stockholder approval for any revision or amendment to be effective, the revision or amendment will not be effective without stockholder approval. Unless sooner terminated by the board of directors, the Equity Plan will expire on February 6, 2017, ten years after the effective date. We will not make any grants under the Equity Plan after it expires, but awards outstanding at that time will continue in accordance with their terms.

## **Federal Income Tax Consequences**

The following is intended only as a brief summary of the material U.S. federal income tax consequences of the Equity Plan. The tax consequences to a participant will generally depend upon the type of award issued to the participant. In general, if a participant recognizes ordinary income in connection with the grant, vesting or exercise of an award, we will be entitled to a corresponding deduction equal to the amount of the income recognized by the participant, subject to the limitations of Section 162(m) of the Code, if applicable. This summary does not address the effects of other federal taxes (including possible golden parachute excise taxes) or taxes imposed under state, local or foreign tax laws.

*Options and Stock Appreciation Rights.* In general, a participant does not have taxable income upon the grant of an option or a stock appreciation right. The participant will recognize ordinary income upon exercise of a nonqualified stock option equal to the excess of the fair market value of shares acquired on exercise over the aggregate option price for the shares. Upon exercising a stock appreciation right, the participant will recognize ordinary income equal to the cash or fair market value of the shares received. A participant will not recognize ordinary income upon exercise of an ISO, except that the alternative minimum tax may apply. If a participant

## **Table of Contents**

disposes of shares acquired upon exercise of an ISO before the end of the applicable holding periods, the participant will recognize ordinary income. Otherwise, a sale of shares acquired by exercise of an option or a stock appreciation right generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the participant's tax basis in the shares. We normally can claim a tax deduction equal to the amount recognized as ordinary income by a participant in connection with a nonqualified stock option or stock appreciation right, except as discussed below regarding Section 162(m) of the Code. We cannot claim a tax deduction relating to a participant's capital gains. We will not be entitled to any tax deduction with respect to an ISO if the participant holds the shares for the applicable ISO holding periods before selling or transferring the shares.

*Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units and Other Stock-Based Awards.* If an award is subject to a restriction on transferability and a substantial risk of forfeiture (for example, restricted stock), the participant generally must recognize ordinary income equal to the fair market value of the transferred shares or amounts at the earliest time either the transferability restriction or risk of forfeiture lapses. If an award has no restriction on transferability or is not subject to a substantial risk of forfeiture, the participant generally must recognize ordinary income equal to the cash or the fair market value of shares received. We can ordinarily claim a tax deduction in an amount equal to the ordinary income recognized by the participant, except as discussed below regarding Section 162(m) of the Code. A participant may irrevocably elect to accelerate the taxable income to the time of grant of restricted stock rather than upon lapse of restrictions on transferability or the risk of forfeiture (Section 83(b) election).

*Section 409A.* Section 409A of the Code imposes election, payment and funding requirements on nonqualified deferred compensation plans. If a nonqualified deferred compensation arrangement subject to Section 409A fails to meet, or is not operated in accordance with, the requirements of Section 409A, then compensation deferred under the arrangement may become immediately taxable and subject to a 20% additional tax, plus interest. Certain awards that may be issued under the plan may constitute a deferral of compensation subject to the requirements of Section 409A.

*Section 162(m).* Section 162(m) generally provides that compensation paid to a covered employee in excess of \$1 million is not deductible by the corporation for federal income tax purposes. A covered employee generally includes the chief executive officer of the company at the end of the taxable year and an individual serving as an officer of the company or a subsidiary at the end of such year who is among the three highest compensated officers (other than the chief executive officer and the chief financial officer) for proxy statement reporting purposes. Compensation that qualifies as performance-based compensation for purposes of Section 162(m) is excluded from the \$1 million deduction limitation. The rules and regulations promulgated under Section 162(m) are complex, technical and change from time to time, sometimes with retroactive effect. In addition, a number of requirements must be met in order for particular compensation to qualify as performance-based compensation for purposes of Section 162(m). We cannot assure you that any compensation awarded or paid under the Equity Plan will be deductible by us under all circumstances.

## **New Plan Benefits and Other Information**

If our stockholders approve the amendment to the Equity Plan, the new plan benefits for our named executive officers, the executive officer group, the non-executive director group and the non-executive officer employee group are not determinable. For information regarding prior awards made under the Equity Incentive Plan, see the Executive Compensation and Director Compensation Tables.

Shares issuable under the Equity Plan are shares of our common stock, \$0.01 par value per share. The closing price of a share of our common stock on March 13, 2013 was \$15.03.

## **Vote Required**

The affirmative vote of the holders of a majority of the votes cast on this proposal is required to approve Proposal 4.

**Table of Contents****Recommendation**

Our board of directors recommends that stockholders vote **FOR** Proposal 4. If not otherwise specified, proxies will be voted **FOR** approval of the Amendment to the National CineMedia, Inc. 2007 Equity Incentive Plan to increase the number of shares available for issuance and to approve the performance goals.

**EQUITY COMPENSATION PLAN**

The following table sets forth, as of December 27, 2012, information for all equity compensation plans under which our equity securities were authorized for issuance:

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	6,692,080 (1)	\$ 16.13 (2)	1,851,975 (3)
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>6,692,080</b>	<b>\$ 16.13</b>	<b>1,851,975</b>

(1) Includes 4,984,952 stock option grants and 1,707,128 restricted stock units including, 164,635, 98,225 and 84,556 for additional shares for the 2012, 2011 and 2010 performance-based restricted stock grants, respectively, that may be issued assuming the highest level of performance is achieved (150%). For the 2010 performance awards, we achieved 95.6% of target resulting in a vesting of 77.9% of the awards on February 25, 2013. Actual results could vary from estimates, especially in the later years included in the three-year projections.

(2) Restricted stock awards are excluded as there is no exercise price for these awards.

(3) Represents remaining shares of our common stock available for issuance under the Equity Incentive Plan.

The Equity Incentive Plan, as amended, was approved by our stockholders on April 26, 2011.

**Table of Contents****PROPOSAL 5****RATIFICATION OF INDEPENDENT AUDITORS**

A resolution will be presented at the Annual Meeting to ratify the appointment by the board of directors of the firm of Deloitte & Touche LLP as independent auditors, to audit our financial statements for the year ending December 26, 2013, and to perform other approved accounting services.

Although current law, rules and regulations, as well as the charter of the Audit Committee, require the Audit Committee to appoint, retain, and supervise our independent auditors, our board of directors considers the selection of our independent auditors to be an important matter of stockholder concern and is submitting the selection of Deloitte & Touche LLP for ratification by stockholders as a matter of good corporate practice. If the stockholders do not ratify the selection of Deloitte & Touche LLP as our independent auditors, the Audit Committee will reconsider whether to retain Deloitte & Touche LLP. Even if the selection of Deloitte & Touche LLP is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interest of the Company and its stockholders.

Representatives of Deloitte & Touche LLP are expected to be present at our Annual Meeting, will have the opportunity to make a statement if they wish to do so, and will be available to respond to appropriate questions.

**Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

**Fees Paid to Independent Auditors**

We paid Deloitte & Touche LLP, the Company's independent registered public accounting firm for fiscal years 2012 and 2011, the following amounts:

	<b>2012</b>	<b>2011</b>
Audit Fees	\$ 781,000	\$ 732,200
Audit Related Fees (1)	185,800	245,000
<b>Total Audit and Related Fees</b>	<b>966,800</b>	<b>977,200</b>
Tax Fees		
All Other Fees		
<b>Total Fees</b>	<b>\$ 966,800</b>	<b>\$ 977,200</b>

- (1) Audit related fees consisted primarily of services provided for our debt transactions and services provided for our founding members, which are reimbursed to the company.

**Pre-Approval Policies and Procedures**

All auditing services, internal control-related services, and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by our independent auditors must be approved by the Audit Committee in advance, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may form and delegate authority to subcommittees consisting of one or more of its members or may delegate authority to one or more members, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that all decisions to grant pre-approvals pursuant to such delegated authority will be presented to the entire Audit Committee at its next scheduled meeting. Effective with the completion of our IPO in February 2007, all of our independent auditors' services were pre-approved by the Audit Committee.



**Table of Contents**

**Vote Required**

The affirmative vote of the holders of a majority of the votes cast on this proposal is required to approve Proposal 5.

**Recommendation**

The board of directors recommends that stockholders vote **FOR** Proposal 5. If not otherwise specified, proxies will be voted **FOR** the appointment of Deloitte & Touche LLP as our independent auditors for our 2013 fiscal year.

**Table of Contents**

**PROPOSAL 6**

**STOCKHOLDER PROPOSAL REGARDING MAJORITY VOTING**

**IN DIRECTOR ELECTIONS**

California State Teachers' Retirement System Investments ( CalSTRS ) has given notice that it intends to present the proposal set forth below for action at the Annual Meeting. The Company will promptly provide the stockholder's name, address and number of common stock held by CalSTRS to any stockholder upon receiving an oral or written request for this information. In accordance with applicable proxy rules and regulations, the proposed resolution and supporting statement from CalSTRS (for which the Company and its board of directors accept no responsibility) are set forth below.

**Stockholder Proposal and Supporting Statement**

**BE IT RESOLVED:**

That the shareholders of National CineMedia, Inc. hereby request that the Board of Directors initiate the appropriate process to amend the Company's articles of incorporation and/or bylaws to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders, with a plurality vote standard retained for contested director elections, that is, when the number of director nominees exceeds the number of board seats.

**SUPPORTING STATEMENT:**

In order to provide shareholders a meaningful role in director elections, the Company's current director election standard should be changed from a plurality vote standard to a majority vote standard. The majority vote standard is the most appropriate voting standard for director elections where only board nominated candidates are on the ballot, and it will establish a challenging vote standard for board nominees to improve the performance of individual directors and entire boards. Under the Company's current voting system, a nominee for the board can be elected with as little as a single affirmative vote, because withheld votes have no legal effect. A majority vote standard would require that a nominee receive a majority of the votes cast in order to be re-elected and continue to serve as a representative for the shareholders.

In response to strong shareholder support a substantial number of the nation's leading companies have adopted a majority vote standard in company bylaws or articles of incorporation. In fact, more than 80% of the companies in the S&P 500 have adopted majority voting for uncontested elections. We believe the Company needs to join the growing list of companies that have already adopted this standard.

CalSTRS is a long-term shareholder of the Company and we believe that accountability is of utmost importance. We believe the plurality vote standard currently in place at the Company completely disenfranchises shareholders and makes the shareholder's role in director elections meaningless. Majority voting in director elections will empower shareholders with the ability to remove poorly performing directors and increase the directors' accountability to the owners of the Company, its shareholders. In addition, those directors who receive the majority support from shareholders will know they have the backing of the very shareholders they represent. We therefore ask you to join us in requesting that the Board of directors promptly adopt the majority vote standard for director elections.

Please vote FOR this proposal.

**Board of Directors' Response in Opposition to Stockholder Proposal**

The board of directors has carefully considered the stockholder proposal and for the reasons described below believes that the proposal, to provide for the election of directors by a majority of the votes cast, is not in the best interests of the Company and its stockholders.

## **Table of Contents**

The CalSTRS proposal presents some issues specific to the Company due to its unique corporate structure and governing documents. Specifically, the workings of certain provisions of the Director Designation Agreement and NCM LLC's Operating Agreement in conjunction with the CalSTRS proposal, as described in more detail below, could result in disenfranchisement of stockholders rather than the empowerment sought by the proposal.

The Company is party to a Director Designation Agreement with its founding members. Pursuant to the Director Designation Agreement, so long as a founding member owns at least 5% of NCM LLC's issued and outstanding common membership units, such founding member has the right to designate a total of two nominees to the Company's ten-member board of directors to be voted upon by the Company's stockholders. At least one of the designees of such founding member must qualify as an independent director at the time of designation so that a majority of the members of the Company's board of directors are independent directors. An independent director under the Director Designation Agreement is a director who qualifies as an independent director under the Nasdaq rules. With certain exceptions, under the terms of the Director Designation Agreement, the Company has agreed to use its best efforts to assure that each director designee is included in the board of director's slate of nominees submitted to the Company's stockholders for election and in the proxy statement prepared by management in connection with soliciting proxies for every meeting of the Company's stockholders called with respect to the election of members of the board.

Under the terms of NCM LLC's Operating Agreement, if any director designee designated by the founding members is not elected to the board by the Company's stockholders, then the Company will essentially lose the ability to manage NCM LLC. Instead, the founding members will be entitled to step into management of NCM LLC by having approval rights over all significant corporate actions of NCM LLC such as approval of budgets, entering into financing transactions and material contracts, hiring and firing executives, approval of acquisitions or dispositions of assets, approval of a transaction that would constitute a Change of Control and so on. See Certain Relationships and Related Party Transactions Transactions with Founding Members for disclosure of the provisions of the Director Designation Agreement and the NCM LLC Operating Agreement.

As a result of these provisions, the board of directors does not believe that adopting a majority vote standard would serve to meet the goals outlined by CalSTRS in its proposal. Rather, to the extent that one director designated by a founding member is not elected, the founding members, rather than the board of directors, would have ultimate approval over major corporate actions of NCM LLC, leading to significant disenfranchisement of the Company's stockholders. It is important to note that failure of a director nominee to garner the requisite vote to be elected under a majority voting standard could happen not as a result of dissatisfaction with the director nominee, but as a result of recent changes to the stock exchange rules eliminating broker discretionary voting in uncontested elections.

The Company agrees with CalSTRS about the importance of accountability. Under the terms of the Company's Amended and Restated Bylaws, stockholders do have the right to remove a director for cause by majority vote. CalSTRS states that under the current plurality voting standard, a nominee can be elected with as little as a single affirmative vote, a highly theoretical and unlikely possibility. Rather in practice, in every director election held by the Company since its initial public offering in 2007, director nominees have received well in excess of the majority of votes cast at the meeting. In fact, no director nominee has received less than 96% of the votes cast. These voting results have demonstrated to us that the Company does indeed have the backing of its stockholders and that its strong corporate governance practices are well received and supported. Further, this suggests that the CalSTRS proposal is not made in response to any particular concerns over the current director election process and is unnecessary for the Company.

For the reasons stated above, the board of directors believes that the CalSTRS proposal is not necessary, would not be beneficial to the Company's stockholders and could result in disenfranchisement of the Company's stockholders.

The board of directors accordingly recommends a vote AGAINST this proposal.



## **Table of Contents**

### **Vote Required**

The affirmative vote of a majority of the votes cast on this proposal is required to approve Proposal 6.

### **Recommendation**

The board of directors recommends that the stockholders vote **AGAINST** the approval of Proposal 6. If not otherwise specified, proxies will be voted **AGAINST** approval of Proposal 6.

*Notwithstanding anything to the contrary set forth in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings, including this proxy statement, in whole or in part, the following Audit Committee Report and Compensation Committee Report shall not be deemed to be Soliciting Material, are not deemed filed with the SEC and shall not be incorporated by reference into any filings under the Securities Act or Exchange Act whether made before or after the date of this proxy statement and irrespective of any general incorporation language in such filings.*

### **AUDIT COMMITTEE REPORT**

The charter of the Audit Committee specifies that the purpose of the Committee is to assist the board in the oversight of management's processes and activities relating to the following:

maintaining the reliability and integrity of our accounting policies, financial reporting practices and financial statements;

the independent auditor's qualifications and independence;

the performance of our internal audit function and independent auditor; and

confirming compliance with laws and regulations, and the requirements of any stock exchange or quotation system on which our securities may be listed.

As part of fulfilling its responsibilities, the Audit Committee reviewed and discussed the audited consolidated financial statements of NCM, Inc. for fiscal year ended December 27, 2012 with management and discussed those matters required by Statement on Auditing Standards No. 61,

Communication with Audit Committees, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, and SEC Regulation S-X, Rule 2-07, with Deloitte & Touche LLP, an independent registered public accounting firm. The Audit Committee received the written disclosures and the letter from Deloitte & Touche LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche LLP's communications with the Audit Committee concerning independence, and has discussed that firm's independence with representatives of the firm with respect to NCM, Inc.

Based upon the Audit Committee's review of the audited consolidated financial statements and its discussions with management and Deloitte & Touche LLP, the Audit Committee recommended that the board of directors include the audited consolidated financial statements for the fiscal year ended December 27, 2012 in NCM, Inc.'s Annual Report on Form 10-K filed with the SEC.

**Audit Committee of National CineMedia, Inc.**

*David R. Haas, Chairman*

*James R. Holland, Jr.*

*Scott N. Schneider*



**Table of Contents**

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included elsewhere in this report with management and, based on such review and discussions, the Compensation Committee recommended that the board of directors include such disclosure for the fiscal year ended December 27, 2012 in NCM, Inc.'s Annual Report on Form 10-K and Proxy Statement filed with the SEC.

**Compensation Committee of National CineMedia, Inc.**

*Lawrence A. Goodman, Chairman*

*Stephen L. Lanning*

*Edward H. Meyer*

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

We do not have any interlocking relationships between any member of our Compensation Committee and any of our executive officers that would require disclosure under the applicable rules promulgated under the U.S. federal securities laws.

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

During fiscal 2012, the Company had the following named executive officers.

Kurt C. Hall    President, Chief Executive Officer and Chairman, our CEO

Clifford E. Marks    President of Sales & Marketing

Gary W. Ferrera    Executive Vice President and Chief Financial Officer, our CFO

Ralph E. Hardy    Executive Vice President and General Counsel

Earl B. Weihe    Executive Vice President and Chief Operations Officer

**Executive Summary**

Our Compensation Committee believes that the Company's compensation policies and procedures are aligned with the short-term and long-term interests of our stockholders and are designed to attract, motivate, reward and retain superior talent who are critical to our long-term growth and profitability. A significant portion of the compensation of our named executive officers is tied closely to the financial performance of the Company, thus aligning our officers' interests with those of our stockholders. We believe the mix of annual and long-term incentives, cash and equity awards and retention incentives, is balanced and does not motivate imprudent risk-taking.

**Compensation Program Highlights.** Highlights of our executive compensation program include:

Pay-for-performance:

71% of our CEO's compensation is variable (see Pay-for-Performance below)

The Annual Performance Bonus is tied to key financial metrics for the Company

75% of the long-term incentive equity grant vests based on the achievement of multi-year cumulative free cash flow goals

Shareholder alignment:

100% of the long-term incentives are granted in equity to support shareholder alignment

Our CEO and other executive officers are subject to stock ownership guidelines (adopted in 2013)

## Edgar Filing: National CineMedia, Inc. - Form DEF 14A

We adopted a clawback policy for incentive compensation (adopted in 2013)

We have an insider trading policy, which includes an anti-hedging policy that prohibits hedging transactions by employees and directors

We amended our equity plan to eliminate liberal share counting provisions (amended in 2013)

Limited non-performance-based elements of pay:

We have only limited perquisites and other benefits

We do not provide excise tax gross-ups or single-trigger benefits upon a change-in-control

**Fiscal Year 2012 Performance.** For 2012, the Company's actual Adjusted OIBDA and adjusted advertising revenue, which are defined below in Elements of Compensation Annual Performance Bonus, were below target levels, primarily due to weak economic conditions in November and December 2012 that were inconsistent with the assumptions in the targets (all financial goals for fiscal year 2012). In particular, the advertising marketplace and overall U.S. economy weakened in November and December 2012 as U.S. Gross Domestic Product or GDP decreased to a 0.1% annual rate in the fourth quarter of 2012. The targets for 2012 were established in the beginning of 2012 with limited visibility into the year, particularly with respect to the macro-

**Table of Contents**

economic environment in the second half of the year. The following table summarizes the key fiscal 2012 financial metrics on which the Company based its executive compensation:

	Fiscal 2012 Performance Measures (in millions) (1)		Achievement relative to target
	Target	Actual	
Adjusted OIBDA	\$ 239.4	\$ 221.8	92.7% of Adjusted OIBDA target
Adjusted advertising revenue	\$ 392.6	\$ 367.5	93.6% of Adjusted advertising revenue target
Technology and Operations operating expenditures	\$ 23.2	\$ 22.0	Under-spent target by 5.2%
Technology and Operations capital expenditures	\$ 35.7	\$ 32.3	Under-spent target by 9.5%

(1) Refer to Annual Performance Bonus below for additional details and calculations.

**Pay-for-Performance.** The following charts present the elements of compensation as a percentage of total compensation for fiscal year 2012, computed using the Fiscal 2012 Summary Compensation Table.

**Fiscal Year 2012 Elements of Compensation Mix**

## Table of Contents

### Realizable Pay

The Compensation Committee believes that having a larger percentage of executive officers' pay as performance-based compensation ensures their interests are aligned with those of our stockholders. The Company strives to continuously improve total shareholder return (TSR) and therefore, align short-term executive compensation with short-term Company performance and long-term compensation with long-term Company performance and shareholder return. The link between the realizable compensation of our CEO and indexed TSR is shown in the following graph.

- (1) The following table shows the components of the CEO Realizable Pay which includes all of the categories that are included in the Summary Compensation Table; however, equity incentive plan compensation is computed as the value of restricted stock as vested applying the appropriate performance factor to applicable awards, and the value of in the money options as vested during each year, based on the closing stock price at fiscal year end.

Type of Compensation	As of January 1, 2009	As of December 31, 2009	As of December 30, 2010	As of December 29, 2011	As of December 27, 2012
Salary	\$ 721,000	\$ 721,000	\$ 735,420	\$ 750,128	\$ 765,131
Annual Performance Bonus	389,340	761,561	1,042,224		485,093
Discretionary Bonus				330,056	
Equity Incentive Plans Compensation	136,468	927,432	1,833,223	1,347,883	869,471
All Other Compensation	50,533	41,988	35,928	23,267	212,210(a)
Total	\$ 1,287,341	\$ 2,451,981	\$ 3,646,795	\$ 2,451,334	\$ 2,331,905

- (a) During 2012, the 2009 restricted stock grant vested, resulting in accrued dividends paid. This was the first 3-year performance-based restricted stock grant that vested.

### Say-on-Pay Result

Our stockholders approved our executive compensation proposal in 2012 with approximately 70% of the votes cast in favor of the proposal at the 2012 annual meeting of stockholders. Our board of directors recognizes that executive compensation is an important matter of stockholder concern and takes stockholder views into account when reviewing the compensation program throughout the year. The Compensation Committee considered the results of the advisory approval of the Company's executive compensation, and made several changes to the compensation program.

Generally maintained our annual performance bonus structure for 2013, given strong support from stockholders

Did not pay any discretionary bonuses for fiscal 2012

## **Table of Contents**

Did not increase 2013 equity grant value for the CEO from the 2012 value, which represented a reduction from the 2011 grant value

Implemented stock ownership guidelines for our CEO and other executive officers, as well as a holding requirement to hold a portion of net shares from vesting of restricted stock or option exercises until the ownership guidelines are achieved

Implemented a clawback policy

### **Compensation Philosophy**

The primary goals of our Compensation Committee with respect to executive compensation are to:

review the competitiveness of executive cash compensation and equity grant levels compared to a select peer group of companies using the 50<sup>th</sup> percentile as a reference point for setting compensation;

provide shorter term cash incentives primarily for achieving specified annual performance objectives;

provide a mix of long-term equity incentives that are time and performance based that promote stock price growth and ownership through employee retention and achievement of long-term financial performance goals; and

establish and monitor appropriate cash pay and annual operating performance relationships and annual long-term incentive plan cost and share dilution goals.

To achieve these goals, we intend to maintain a compensation structure that provides rewards for high performance and value creation for our stockholders (including the founding members). Our objectives are to maintain compensation plans with an appropriate balance of base salary, annual performance bonus and long-term incentives (primarily stock-based awards) and to tie a substantial portion of executives' overall compensation to key financial goals such as achievement of targeted levels of adjusted advertising revenue and non-GAAP measures such as Adjusted OIBDA, and Free Cash Flow.

### **Role of Compensation Consultant and CEO in Determining Executive Compensation**

Our CEO had substantial input in determining executive compensation and made all of the recommendations for the other four named executive officers that were ultimately approved by the Compensation Committee.

For a portion of 2012, the Compensation Committee engaged Pay Governance LLC, a nationally recognized consulting firm, to assess the competitiveness of pay for the executive officers and provide independent advice and recommendations to the Compensation Committee regarding executive compensation. The Compensation Committee determined that Pay Governance LLC is independent from the Company. As part of its review, Pay Governance LLC considered base salary, annual performance bonus, total cash compensation (combined salary and annual performance bonus), value of long-term incentives, and total compensation. Pay Governance LLC developed and recommended a peer group for comparison to our executive officers comprised of domestic, publicly-traded media and entertainment related companies with revenues generally between \$200 million and \$900 million and market capitalization generally between \$700 million and \$3 billion. The Compensation Committee reviewed and approved the peer group.

Our Compensation Committee believes that peer group comparisons are useful to measure the competitiveness of our compensation practices and uses the information provided by the compensation consultant to guide its decision making. The recommendation was that executive total direct compensation should be targeted near the median of the range in the media industry. However, the Compensation Committee uses its discretion to design our compensation programs.





## **Table of Contents**

The following peer companies were used in our competitive analysis for fiscal 2012 decisions:

Akamai Technologies, Inc.*	Harmonic Inc.*
Arbitron Inc.	Lamar Advertising Co.
comScore, Inc.	LodgeNet Interactive Corporation*
Clear Channel Outdoor Holdings Inc.*	QuinStreet, Inc.
Digital Generation, Inc.	QLogic Corp.*
Digital River Inc.	SeaChange International Inc.
DreamWorks Animation SKG Inc.	Sinclair Broadcast Group Inc.
Equinix Inc.*	ValueClick Inc.
Harte-Hanks Inc.	WebMD Health Corp.

\* These companies were removed from the peer group for 2013 due to a combination of company size and business criteria. The following companies were added to the peer group for 2013: Belo Corp., Reachlocal Inc., Crown Media Holdings, Inc., and Tivo, Inc. Later in 2012, the Compensation Committee engaged ClearBridge Compensation Group, LLC ( ClearBridge ), a nationally recognized consulting firm, to assess the competitiveness of pay for the executive officers and provide independent advice and recommendations to the Compensation Committee regarding executive compensation. The Compensation Committee reviewed ClearBridge's independence status and determined that there were no conflicts of interest and that ClearBridge was independent from the Company, our Compensation Committee and our executive officers.

As part of its review of executive officer compensation, ClearBridge considered base salary, annual performance bonus, total cash compensation (combined salary and annual performance bonus), value of long-term incentives, and total compensation. ClearBridge developed and recommended a peer group for 2013 for comparison to our executive officers comprised of domestic, publicly-traded media and entertainment related companies of comparable size. The Compensation Committee reviewed and approved the peer group.

**Table of Contents****Elements of Compensation**

The Company's executive compensation consists primarily of base salary, an annual performance bonus, long-term incentive compensation, other compensation and potential payments upon termination or change in control. The Compensation Committee determines the portion of compensation allocated to each element for each individual named executive officer. Our Compensation Committee may reevaluate the current policies and practices as it considers advisable. The elements of executive compensation are generally independent of each other.

<b>Component</b>	<b>Purpose</b>	<b>Characteristics</b>	<b>Where reported in accompanying tables</b>
Base Salary	Reward for level of responsibility, experience and sustained individual performance	Fixed cash component	Summary Compensation Table under the heading "Salary"
Annual Performance Bonus	Reward individual achievement against specific objective financial goals	Cash performance bonus based on achievement of pre-determined performance goals	Summary Compensation Table under the heading "Non-Equity Incentive Plan Compensation" and Grants of Plan Based Awards Table
Long-Term Incentive	Reward for the creation of stockholder value	Equity grants in 2012 consisted of:  Performance-based restricted shares  Time-vested stock options  As discussed further in "Compensation Decisions for 2013", the stock option component was replaced with time-vested restricted shares for 2013 grants	Summary Compensation Table under the headings "Stock Awards and Option Awards," "Grants of Plan Based Awards Table," "Outstanding Equity Awards Table" and "Option Exercises and Stock Vested Table"
Other Compensation	Provide an appropriate level of employee benefit plans and programs	A matching contribution to our defined contribution 401(k) plan and various health, life and disability insurance plans; dividends paid on unvested restricted stock (for 2007 and 2008 awards); and other customary employee benefits	Summary Compensation Table under the heading "All Other Compensation"
Potential Payments Upon Termination or Change in Control	Provide an appropriate level of payment in the event of a change in control or termination	Contingent in nature. Amounts are payable only if employment is terminated as specified under each employment agreement. No excise tax gross-ups are provided.	Potential Payments Upon Termination or Change in Control
Other Policies	Enhance alignment with shareholder interests	Stock Ownership Guideline policy (adopted in 2013)	Not applicable

Clawback policy (adopted in 2013)

Insider trading policy

37

**Table of Contents****2012 Compensation**

**Base Salary.** Base salaries for our executives were established based on the scope of their responsibilities, taking into account the internal value and importance of the role, as well as experience and seniority of the individual, our ability to replace the individual and other primarily judgmental factors deemed relevant by the Compensation Committee.

Base salaries are reviewed annually by the Compensation Committee and the board, and may be adjusted from time to time pursuant to such review and/or in accordance with guidelines contained in the various employment agreements and are generally for relatively small percentage cost of living increases.

The Compensation Committee reviewed executive compensation in January 2012 and decided to increase the base salary by a cost of living adjustment of 2% for Messrs. Hall, Marks, Ferrera, Hardy and Weihe on January 12, 2012, which is consistent with the average increases for our employees generally.

For 2012, we believe total cash compensation of our executives, which is base salary combined with the annual performance bonus, was within a market competitive range versus our peer group and the video advertising marketplace primarily made up of companies that are much larger than the Company, but which the Company competes for sales executives.

**Annual Performance Bonus.** Annual performance bonuses are intended to compensate executives for achieving financial goals that support our operational and strategic goals. The target percentages for our executives were established based on the level of responsibility, base salary, as well as experience and seniority of the individual. We believe our total cash compensation is competitive. In addition, we believe rewarding our executives for achievement of our financial goals is consistent with the practice of aligning their interests with our stockholders. The stretch bonus is further incentive for our executive officers to exceed operating budgets and thus further increase our equity value.

Payments of performance bonuses, including any stretch bonus, are objectively calculated based on the achievement of specific financial targets for each named executive pursuant to the terms of the annual Performance Bonus Plan, which ensures that executive compensation is aligned with the performance of the Company.

The Compensation Committee adopted the National CineMedia, Inc. 2012 Performance Bonus Plan on January 11, 2012 and it was approved by our stockholders on May 1, 2012. The financial performance criteria and potential bonus levels were consistent with 2011.

The awards under the Performance Bonus Plan were determined in accordance with the Company's actual performance compared to our internal targets. We believe the amounts paid under the Performance Bonus Plan are appropriate in light of the achievement relative to the financial targets. The following table provides details about each component of the Non-Equity Incentive Plan Compensation column of the Fiscal 2012 Summary Compensation Table.

Actual Fiscal 2012 Performance Bonus Amounts				
Performance Bonus				
Name	Target Award as a % of Salary	Target Award Achievement	Actual Award as a % of Target	Total Award Amount
Kurt C. Hall	100%	92.68%	63.40%	\$ 485,093
Cliff E. Marks	100%	93.61%	80.83%	\$ 596,367
Gary W. Ferrera	75%	92.68%	63.40%	\$ 176,611
Gene E. Hardy	75%	92.68%	63.40%	\$ 136,298
Earl B. Weihe	75%	90.34%	72.55%	\$ 138,751

**Table of Contents**

The objective financial factors are consistent with the metrics used in previous years and represent the metrics the Compensation Committee believes may best encourage sound decisions regarding operations and investment of capital and are important to our goal of increasing the value of our equity. We believe we have adequately addressed the risks that an executive might be incentivized to take inappropriate actions to meet the performance metrics through our internal controls over financial reporting.

Our annual performance bonus traditionally has been paid in a single payment in the first quarter following the completion of a given fiscal year. Payments are subject to review, approval and certification by the Compensation Committee in conjunction with the issuance of our annual audit report.

**Fiscal 2012 Performance Bonus Plan Summary**

	<b>Kurt C. Hall (1)</b>	<b>Clifford E. Marks (2)</b>	<b>Gary W. Ferrera (1)</b>	<b>Ralph E. Hardy (1)</b>	<b>Earl B. Weihe (1)</b>
Performance Bonus Potential (3)	100%	100%	75%	75%	75%
<b>Performance Bonus Measures:</b>					
Adjusted OIBDA	100%		100%	100%	75%
Adjusted advertising revenue		100%			
Technology and Operations operating and capital expenditures budgets (4)					25%
<b>2012 Stretch Bonus</b>					
Stretch Bonus Potential (5)	50%	50%	50%	50%	50%

- (1) The performance bonus potential is based on the percentage of Adjusted OIBDA target achieved as follows:

<b>Percentage of Adjusted OIBDA Target Achieved</b>	<b>% of Base Salary</b>
<i>Performance Bonus</i>	
Less than or equal to 80%	0%
Greater than 80% to 100%	>0% to 100%

- (2) The performance bonus potential is based on the percentage of advertising revenue target achieved as follows:

<b>Percentage of Adjusted Advertising Revenue Target Achieved</b>	<b>% of Base Salary</b>
<i>Performance Bonus</i>	
Less than 80%	0%
Greater than or equal to 80% to 90%	50% to 70%
Greater than 90% to 100%	>70% to 100%

- (3) Percentage of base salary determined at the end of our 2012 fiscal year (December 27, 2012).  
 (4) No performance bonus is payable if the actual annual operating expenditures and capital expenditures, including any capitalized overhead, on an aggregate basis exceed 100% of budget.  
 (5) The 2012 Stretch Bonus potential is 50% of the Performance Bonus paid times the percentage that Adjusted OIBDA is in excess of budget (capped at 10%), divided by 10%.

For actual amounts earned for fiscal 2012 for each of our executives, see our Fiscal 2012 Summary Compensation Table, Non-Equity Incentive Plan Compensation.



**Table of Contents****Fiscal 2012 Performance Results**

(in millions)

Performance Measure	Target	Actual	Achievement relative to target
Adjusted OIBDA (a)	\$ 239.4	\$ 221.8	92.7% of Adjusted OIBDA target
Adjusted advertising revenue (b)	\$ 392.6	\$ 367.5	93.6% of Adjusted Advertising revenue target
Technology and Operations operating expenditures	\$ 23.2	\$ 22.0	Under-spent target by 5.2%
Technology and Operations capital expenditures	\$ 35.7	\$ 32.3	Under-spent target by 9.5%

- (a) Adjusted OIBDA, a non-GAAP financial measure, is one measure used by management to measure the Company's operating performance. Adjusted OIBDA represents operating income (loss) before depreciation and amortization expense and other costs. Adjusted OIBDA adds back the make-good liability shifted into 2013, share-based compensation costs and other costs. While Adjusted OIBDA is a measure we use to measure the financial performance for purposes of our Annual Performance and Stretch Bonus awards, you should not consider Adjusted OIBDA in isolation of, or as a substitute for, measures of our financial performance as determined in accordance with GAAP, such as operating income (loss). Adjusted OIBDA has material limitations as a performance measure because it excludes items that are necessary elements of our costs and operations. Because other companies may calculate Adjusted OIBDA differently than we do, this measure may not be comparable to similarly-titled measures reported by other companies (dollars in millions).

	FY 2012 Target	FY 2012 Actual
Operating income	\$ 227.2	\$ 191.8
Depreciation and amortization		20.4
Make-good liability		1.2
Share-based compensation costs and other costs	\$ 12.2	8.4
Adjusted OIBDA	\$ 239.4	\$ 221.8

- (b) Adjusted advertising revenue for purposes of this calculation is a non-GAAP financial measure used by management to measure the performance of certain of its advertising sales personnel, including Mr. Marks. Adjusted advertising revenue represents reported advertising revenue less founding member circuit beverage revenue, zero margin barter revenue and other founding member payments included in revenue plus the make-good liability shifted into 2013. You should not consider this measure in isolation of, or as a substitute for, measures of our financial performance as determined in accordance with GAAP, such as advertising revenue (dollars in millions).

	FY 2012 Target	FY 2012 Actual
Advertising revenue	\$ 433.6	\$ 409.2
Less: Founding member circuit beverage revenue and other revenue	(41.0)	(42.9)
Plus: Make-good liability		1.2
Adjusted advertising revenue	\$ 392.6	\$ 367.5

**Long-Term Incentives.** We believe that creating long-term value for our stockholders is achieved, in part, by aligning the interests of our executive officers with those of our stockholders. We grant awards under our stockholder approved equity incentive plan, the National CineMedia, Inc. 2007 Equity Incentive Plan as amended and restated, which we refer to as the Equity Incentive Plan.

All grants under the Equity Incentive Plan to our executive officers are generally proposed annually by the CEO at the start of each fiscal year and approved and priced by the Compensation Committee at its first meeting of the fiscal year, although grants could be made at any time at the



discretion of our Compensation Committee.

**Table of Contents**

In 2012, equity grant values were reduced from 2011 amounts. On January 12, 2012, the Compensation Committee granted stock options and performance-based restricted stock awards to Messrs. Hall, Marks, Ferrera, Hardy and Weihe, as follows:

3-Year Performance-Based Restricted Stock: Performance-based restricted stock awards that vest based on the achievement of cumulative 2012-2014 Free Cash Flow goals.

2-Year Performance-Based Restricted Stock: Performance-based restricted stock awards that vest based on the achievement of cumulative 2012-2013 Free Cash Flow goals.

Stock Options: Vest ratably over a 3-year period.

Refer to footnote (1) of the 2012 Equity Awards table below for additional information. The value of the awards is set at the closing price of the Company's common stock on the date of approval by the Compensation Committee.

*Performance-Based Restricted Stock.* The 2010, 2011 and 2012 restricted stock awards are scheduled to vest based upon achievement of the actual cumulative Free Cash Flow target at the end of the two or three-year measurement period, with 50% of the award vesting at 90% of target achievement and 150% vesting at 110% of target achievement (with interpolation between 90% and 110%). Dividends accrue and will be paid upon vesting for those shares earned. In the event that shares are not earned, accrued dividends on those shares are not paid.

The three-year measurement period for the 2010 restricted stock awards concluded on December 27, 2012. Following is the achievement relative to the target:

Performance Measure (in millions)	Target	Actual	Achievement relative to target	Vesting %
2010 grant three-year cumulative Free Cash Flow (a)	\$ 669.5	\$ 639.9	95.6%	77.9%

- (a) Free Cash Flow is defined as Adjusted OIBDA less capital expenditures. In the past, we defined Free Cash Flow as EBITDA (earnings before interest, tax and depreciation and amortization expense) less capital expenditures. EBITDA is most directly comparable to net income. However, the Company's reconciliation for EBITDA made adjustments for items such as income taxes, noncontrolling interest and interest expense, which are not part of operating income, therefore OIBDA and EBITDA yield the same results. This calculation methodology change was made to make it easier for the Company to provide a reconciliation of the metric as required by SEC rules.

**Table of Contents**

Adjusted OIBDA, a non-GAAP financial measure, is one measure used by management to measure the Company's operating performance. Adjusted OIBDA represents operating income (loss) before depreciation and amortization expense and other costs. Adjusted OIBDA adds back the make-good liability shifted into 2013, share-based compensation costs and other costs. While Adjusted OIBDA is a measure we use to measure the financial performance for purposes of our Performance and Stretch Bonus awards, you should not consider Adjusted OIBDA in isolation of, or as a substitute for, measures of our financial performance as determined in accordance with GAAP, such as operating income (loss). Adjusted OIBDA has material limitations as a performance measure because it excludes items that are necessary elements of our costs and operations. Because other companies may calculate Adjusted OIBDA differently than we do, this measure may not be comparable to similarly-titled measures reported by other companies (dollars in millions).

			2010-2012 3-Year Cumulative Ended December 27, 2012
<b>ACTUAL</b>			
Operating income			\$ 576.1
Depreciation and amortization			57.0
Make-good liability			6.7
Share-based compensation and other costs			34.5
Adjusted OIBDA			\$ 674.4
Capital expenditures			34.5
Free Cash Flow	Actual		\$ 639.9
<b>TARGET</b>			
Free Cash Flow	Target		\$ 669.5
Free Cash Flow	Achievement of Target		95.6%
Free Cash Flow	Vesting %	February 15, 2013	77.9%

<b>Name and Position</b>	<b>Number of Shares Awarded on January 14, 2010</b>	<b>Total Vesting on February 25, 2013</b>	<b>Accrued Dividends</b>
Kurt C. Hall	76,787	59,817	\$ 137,799
Clifford E. Marks	41,136	32,044	\$ 74,182
Gary W. Ferrera	28,992	22,584	\$ 51,726
Ralph E. Hardy	15,235	11,868	\$ 27,179
Earl B. Weihe	26,961	21,002	\$ 48,098

As a result of the level of achievement of the 2010 award which vested on February 25, 2013, accrued dividends were paid on March 5, 2013.

The following table shows the maximum number of shares that could be received under the Equity Incentive Plan for the 2012 awards:

<b>2012 Equity Awards</b>				
<b>Name</b>	<b>Number of shares 3-Year Vest (1)</b>	<b>Number of shares 2-Year Vest (2)</b>	<b>Number of Stock Options (3)</b>	<b>Total Number of Shares</b>
Kurt C. Hall	73,502	49,001	73,502	196,005
Clifford E. Marks	59,064	39,376	59,064	157,504

Edgar Filing: National CineMedia, Inc. - Form DEF 14A

Gary W. Ferrera	29,602	18,501	29,602	77,705
Ralph E. Hardy	19,122	12,748	19,122	50,992
Earl B. Weihe	17,012	11,341	17,012	45,365

**Table of Contents**

- (1) Includes the target maximum number of shares that will vest if actual cumulative Free Cash Flow equals 100% of the three-year (2012-2014) cumulative Free Cash Flow target. If actual Free Cash Flow exceeds 100% of the Free Cash Flow target (up to 110% of Free Cash Flow), the number of shares will be increased ratably as set forth below for actual Free Cash Flow performance versus the target. As such, Mr. Hall could receive up to 36,751 additional shares; Mr. Marks could receive up to 29,532 additional shares; Mr. Ferrera could receive up to 14,801 additional shares, but due to his resignation effective March 1, 2013, Mr. Ferrera will not receive additional shares; Mr. Hardy could receive up to 9,561 additional shares and Mr. Weihe could receive up to 8,506 additional shares.

The amount is equal to the number of shares of restricted stock granted on January 13, 2011, with the exception of Mr. Ferrera. Mr. Ferrera was awarded an increase of 6.7% over the January 13, 2011 grant in order to bring his total value up to a more competitive level.

- (2) Includes the target maximum number of shares that will vest if actual cumulative Free Cash Flow equals 100% of the two-year (2012-2013) cumulative Free Cash Flow target. If actual Free Cash Flow exceeds 100% of the Free Cash Flow target (up to 110% of Free Cash Flow), the number of shares will be increased ratably as set forth below for actual Free Cash Flow performance versus the target. As such, Mr. Hall could receive up to 24,500 additional shares; Mr. Marks could receive up to 19,688 additional shares; Mr. Ferrera could receive up to 9,251 additional shares, but due to his resignation, Mr. Ferrera will not receive additional shares; Mr. Hardy could receive up to 6,374 additional shares and Mr. Weihe could receive up to 5,671 additional shares.

The potential shares that would otherwise vest at the end of this two-year measurement period as described above will be reduced by the amount of vested shares from the January 13, 2011 restricted stock grant, if any. The executive officers were granted a total of 196,452 shares of restricted stock on January 13, 2011, of which 73,502 were to Mr. Hall; 59,064 to Mr. Marks; 27,752 to Mr. Ferrera; 19,122 to Mr. Hardy and 17,012 to Mr. Weihe.

- (3) The amount is equal to the number of shares of three-year vest stock options. The stock options are scheduled to vest 33.33% each year over the next three years (fiscal 2013-2015), subject to continuous service. The stock options have a 10-year term and an exercise price of \$13.14, the closing price of the Company's common stock on January 12, 2012, the date of approval of the grants.

The restricted stock awards are scheduled to vest based upon achievement of at least 90% of the actual cumulative Free Cash Flow target at the end of the two-year or three-year measurement period. The restricted stock awards include the right to receive dividend equivalents, subject to vesting. Below is a summary of how the number of vested shares of restricted stock will be determined based on the level of achievement of actual cumulative Free Cash Flow.

Award Vesting %	Free Cash Flow Target Actual %
150%	>=110%
100%	100%
50%	90%
0%	<90%

If actual cumulative Free Cash Flow is between 90% and 100% of the target, the award will vest proportionately. If actual cumulative Free Cash Flow exceeds 100% of the Free Cash Flow target for the measurement period, the participant will receive an additional grant of shares of restricted stock that will vest 60 days following the last day of the measurement period. The number of additional shares of restricted stock will be determined by interpolation, but will not exceed 50% of the number of shares of restricted stock that vest as set forth above up to 110% of the targeted cumulative Free Cash Flow.

**Other Compensation.** Our employees, including our named executive officers, participate in various employee benefits. These benefits include the following: medical and dental insurance; flexible spending accounts for healthcare; life, accidental death and dismemberment and disability insurance; employee assistance programs (confidential counseling); a 401(k) plan; and paid time off.

**Table of Contents**

None of our named executive officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us or in non-qualified defined contribution plans or other deferred compensation plans maintained by us. The Compensation Committee may elect to provide our officers and other employees with non-qualified defined contribution or deferred compensation benefits if the Compensation Committee determines that doing so is in our best interests.

**Potential Payments upon Termination or Change in Control.** Upon certain types of terminations of employment, payments may be made to our executive officers in accordance with their respective employment agreements. These events and potential amounts are further described below under the heading Potential Payments Upon Termination or Change in Control.

**Compensation Decisions for 2013**

Below is information about compensation decisions made for executive officers in early 2013.

**Base Salary.** The Compensation Committee reviewed executive compensation in January 2013 and decided that no base salary increases would be provided to our executive officers.

**Annual Performance Bonus.** The Compensation Committee adopted the National CineMedia, Inc. Executive Performance Bonus Plan, and directed that the Executive Performance Bonus Plan be submitted to a vote of stockholders at our Annual Meeting.

For additional information about the Executive Performance Bonus Plan, see Proposal 2. The process for setting the financial targets for 2013 is consistent with previous years as part of the annual budget review and approval.

**Long-Term Incentive.** For 2013, the mix of equity securities granted was changed to 75% performance-based restricted stock and 25% time-vested restricted stock. The Compensation Committee granted time-vested restricted stock and performance-based restricted stock awards to each of our executive officers effective January 15, 2013, as described in greater detail below.

The following table shows the maximum number of shares granted to each of our executive officers for these awards:

Name and Position	2013 Equity Awards		
	Target Number of Shares Performance- Based Restricted Stock	Number of Shares Time- Based Restricted Stock	Total Number of Shares
Kurt C. Hall	96,710	32,237	128,947
Clifford E. Marks	92,349	30,783	123,132
Gary W. Ferrera (a)			
Ralph E. Hardy	25,115	8,372	33,487
Earl B. Weihe	17,874	5,958	23,832

(a) Mr. Ferrera resigned as Executive Vice President and Chief Financial Officer, effective March 1, 2013.

**Clawback Policy.** The Company adopted a clawback policy in fiscal year 2013, which applies to all of our executive officers, including the named executive officers. Under the policy, if the board determines that any current or former executive officer has engaged in fraud or intentional misconduct that caused an error that, directly or indirectly, resulted in a financial restatement, the board may require reimbursement of all compensation granted, earned or paid under annual incentive and long-term incentive compensation plans, including cancellation of outstanding equity awards.



**Table of Contents****EXECUTIVE COMPENSATION TABLES****FISCAL 2012 SUMMARY COMPENSATION TABLE**

The following table shows the amount of compensation earned by our NEOs during the years indicated. For additional information regarding the material terms of each named executive officers' employment agreement, see Employment Agreements and Potential Payments Upon Termination or Change in Control below.

Name and Principal Position	Year	Salary	Bonus (1)	Stock Awards (2)	Option Awards (3)	Non-Equity Incentive Plan Compensation (4)	All Other Compensation (5)	Total
Kurt C. Hall	2012	\$ 765,131		\$ 1,609,689	\$ 299,888	\$ 485,093	\$ 212,210	\$ 3,372,011
	2011	\$ 750,128	\$ 330,056	\$ 1,350,232	\$ 821,701		\$ 23,267	\$ 3,275,384
President, Chief Executive Officer and Chairman	2010	\$ 735,420		\$ 1,303,075	\$ 1,114,875	\$ 1,042,224	\$ 35,928	\$ 4,231,522
Clifford E. Marks	2012	\$ 737,805		\$ 1,293,500	\$ 240,981	\$ 596,367	\$ 128,462	\$ 2,997,115
	2011	\$ 723,338		\$ 1,085,006	\$ 660,295	\$ 509,953	\$ 28,816	\$ 3,007,408
President of Sales & Marketing	2010	\$ 709,155		\$ 698,078	\$ 597,254	\$ 1,005,002	\$ 30,835	\$ 3,040,324
Gary W. Ferrera	2012	\$ 371,423		\$ 632,073	\$ 120,776	\$ 176,611	\$ 86,317	\$ 1,387,200
	2011	\$ 364,140	\$ 120,166	\$ 509,804	\$ 310,244		\$ 15,914	\$ 1,320,268
Executive Vice President and Chief Financial Officer	2010	\$ 357,000		\$ 491,994	\$ 420,934	\$ 379,450	\$ 20,101	\$ 1,669,479
Ralph E. Hardy	2012	\$ 286,642		\$ 418,771	\$ 78,017	\$ 136,298	\$ 43,471	\$ 963,199
	2011	\$ 281,022	\$ 92,737	\$ 351,271	\$ 213,774		\$ 11,138	\$ 949,942
Executive Vice President and General Counsel	2010	\$ 262,637		\$ 258,538	\$ 221,194	\$ 279,153	\$ 11,447	\$ 1,032,969
Earl B. Weihe	2012	\$ 255,000		\$ 372,557	\$ 69,408	\$ 138,751	\$ 18,995	\$ 854,711
	2011	\$ 250,000	\$ 61,875	\$ 312,492	\$ 190,175	\$ 46,875	\$ 9,607	\$ 871,024
Executive Vice President and Chief Operations Officer	2010	\$ 200,345	\$ 124,004	\$ 501,528	\$ 395,815	\$ 141,718	\$ 9,544	\$ 1,372,954

- (1) No discretionary bonuses were paid for fiscal 2012. For fiscal 2011, the amounts represent discretionary bonus awards for each executive. Mr. Weihe also earned a discretionary bonus for fiscal 2010. See prior year proxy statements for additional information.



**Table of Contents**

- (2) The amounts represent the aggregate grant date fair value of the stock awards computed in accordance with ASC Topic 718. The stock awards granted in 2012, 2011 and 2010 are scheduled to vest based upon the achievement of performance conditions relating to cumulative Free Cash Flow at the end of the two or three-year measuring period. The amounts for these awards are presented based on 100% of the fair market value on the date of grant and do not include an estimate of performance. Actual results could materially differ from this estimate. Stock awards are further discussed in the Long-Term Incentive section of our CD&A. The table below includes the maximum amounts payable assuming the highest level of performance is achieved:

Stock Awards		Maximum Number of Shares Scheduled to Vest	Maximum Grant Date Fair Value (a)
Name	Grant Date		
Kurt C. Hall	1/12/2012	183,754	\$ 2,414,527
	1/13/2011	110,253	\$ 2,025,348
	1/14/2010	115,180	\$ 1,954,605
Clifford E. Marks	1/12/2012	147,660	\$ 1,940,252
	1/13/2011	88,596	\$ 1,627,509
	1/14/2010	61,704	\$ 1,047,117
Gary W. Ferrera	1/12/2012	72,155	\$ 948,116
	1/13/2011	41,628	\$ 764,706
	1/14/2010	43,488	\$ 737,991
Ralph E. Hardy	1/12/2012	47,805	\$ 628,157
	1/13/2011	28,683	\$ 526,907
	1/14/2010	22,853	\$ 387,815
Earl B. Weihe	1/12/2012	42,530	\$ 558,844
	1/13/2011	25,516	\$ 468,729
	1/14/2010	30,000	\$ 575,100

- (a) The amount is based on the maximum number of shares as of the grant date subject to the award assuming the highest level of performance is achieved (150%). The amounts for these awards are presented based upon the fair market value on the date of grant (\$13.14, \$18.37 and \$16.97 per share for 2012, 2011 and 2010, respectively).
- (3) The amounts represent the aggregate grant date fair value of the options computed in accordance with ASC Topic 718 and do not represent cash payments made to the individuals or amounts realized. See details of the assumptions used in valuation of the options in Note 10 Share-Based Compensation to the audited financial statements filed with the SEC on Form 10-K for the year ended December 27, 2012. The full grant date fair values of the awards were \$4.08 (January 12, 2012), \$3.73 (January 13, 2011), \$4.84 (January 14, 2010) and \$4.91 (November 4, 2010) per share. The Grants of Plan Based Awards table discloses the options granted in fiscal 2012 to the named executive officers. Share-based options are discussed in the Long-Term Incentive section of our CD&A.
- (4) The Compensation Committee approved 2012 performance bonuses for the named executive officers on February 15, 2013, and the bonuses were paid on February 26, 2013. In 2010 the payments of non-equity incentive plan compensation included a stretch bonus due to achievement of certain performance measures. In 2011 and 2012, no amount of stretch bonus was earned. See further discussion in the Annual Performance Bonus section of our CD&A.

**Table of Contents**

- (5) The following table provides details about each component of the All Other Compensation column from the Fiscal 2012 Summary Compensation Table above.

Name	Year	401(k) Employer Contribution (a)	Term Life Insurance (b)	Disability Insurance (c)	Restricted Stock Dividends (d)	Miscellaneous (e)	Total All Other Compensation
Kurt C. Hall	2012	\$ 6,000	\$ 1,510	\$ 3,414	\$ 201,286		\$ 212,210
	2011	\$ 6,600	\$ 1,929	\$ 1,257	\$ 13,176	\$ 305	\$ 23,267
	2010	\$ 6,600	\$ 1,889	\$ 1,257	\$ 22,588	\$ 3,594	\$ 35,928
Clifford E. Marks	2012	\$ 6,000	\$ 1,456	\$ 3,304	\$ 116,581	\$ 1,120	\$ 128,461
	2011	\$ 6,600	\$ 1,856	\$ 1,257	\$ 16,706	\$ 2,397	\$ 28,816
	2010	\$ 6,600	\$ 1,184	\$ 1,257	\$ 21,479	\$ 315	\$ 30,835
Gary W. Ferrera	2012	\$ 6,000	\$ 733	\$ 1,827	\$ 77,756		\$ 86,316
	2011	\$ 6,600	\$ 566	\$ 1,257	\$ 7,491		\$ 15,914
	2010	\$ 6,600	\$ 552	\$ 1,257	\$ 11,402	\$ 290	\$ 20,101
Ralph E. Hardy	2012	\$ 6,000	\$ 566	\$ 1,485	\$ 35,420		\$ 43,471
	2011	\$ 6,600	\$ 1,818	\$ 1,257	\$ 1,463		\$ 11,138
	2010	\$ 6,600	\$ 1,084	\$ 1,255	\$ 2,508		\$ 11,447
Earl B. Weihe	2012	\$ 6,000	\$ 503	\$ 1,358	\$ 11,134		\$ 18,995
	2011	\$ 6,269	\$ 1,584	\$ 1,257	\$ 497		\$ 9,607
	2010	\$ 6,233	\$ 1,191	\$ 1,164	\$ 852	\$ 104	\$ 9,544

- (a) Represents matching contributions made pursuant to NCM LLC's defined contribution 401(k) Plan. Eligible employees, including the named executive officers are eligible for a discretionary contribution under the 401(k) plan on base pay up to IRS limits.
- (b) Represents imputed income for term life insurance coverage.
- (c) Represents imputed income for long-term and short-term disability insurance coverage.
- (d) Under the terms of the 2007 and 2008 restricted stock awards, the named executive officers are entitled to receive cash dividends at the same time as other stockholders on unvested shares starting with the 2009 restricted stock dividends are accrued and paid only when vested. During 2012, the 2009 restricted stock grant vested, resulting in accrued dividends paid. This was the first 3-year performance-based restricted stock grant that vested. During 2012, NCM, Inc. paid per share dividends of \$0.22 on March 22, 2012, May 31, 2012, August 30, 2012 and November 29, 2012, respectively. During 2011, NCM, Inc. paid per share dividends of \$0.20 on March 24, 2011 and June 2, 2011, and \$0.22 on September 1, 2011 and December 1, 2011, respectively. During 2010, NCM, Inc. paid per share dividends of \$0.16 on April 1, 2010, \$0.18 on June 3, 2010 and September 2, 2010, and \$0.20 on December 2, 2010, respectively.
- (e) Represents business-related awards, gifts and prizes and taxable fringe benefits.

**Table of Contents****FISCAL 2012 GRANTS OF PLAN-BASED AWARDS**

The following table shows the awards granted to our named executive officers for our 2012 fiscal year.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Option Awards: Number of Securities Underlying Options (3)	Exercise of Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards (\$ (4)
		Thresh-hold (\$)	Target (\$)	Maximum (\$)	Thresh-hold (#)	Target (#)	Maximum (#)			
Kurt C. Hall	N/A		\$ 765,131	\$ 1,147,697						
	1/12/2012							73,502	\$ 13.14	\$ 299,888
	1/12/2012					73,502	110,253			\$ 965,816
	1/12/2012					49,001	73,502			\$ 643,873
Clifford E. Marks	N/A		\$ 737,805	\$ 1,106,708						
	1/12/2012							59,064	\$ 13.14	\$ 240,981
	1/12/2012					59,064	88,596			\$ 776,100
	1/12/2012					39,376	59,064			\$ 517,400
Gary W. Ferrera	N/A		\$ 278,567	\$ 417,851						
	1/12/2012							29,602	\$ 13.14	\$ 120,776
	1/12/2012					29,602	44,403			\$ 388,970
	1/12/2012					18,501	27,752			\$ 243,103
Ralph E. Hardy	N/A		\$ 214,981	\$ 322,472						
	1/12/2012							19,122	\$ 13.14	\$ 78,017
	1/12/2012					19,122	28,683			\$ 251,263
	1/12/2012					12,748	19,122			\$ 167,508
Earl B. Weihe	N/A		\$ 191,250	\$ 286,875						
	1/12/2012							17,012	\$ 13.14	\$ 69,408
	1/12/2012					17,012	25,518			\$ 223,537
	1/12/2012					11,341	17,012			\$ 149,020

- (1) Amounts represent potential cash bonus amounts if targets are achieved for 2012 performance for each named executive officer. The Compensation Committee may, at its discretion, reduce the amount of any awards payable under the 2012 Performance Bonus Plan by up to 25%. See our Summary Compensation Table for amounts paid.
- (2) Represents restricted stock grants made in 2012 under the Equity Incentive Plan. The restricted stock awards provide that the award will accrue dividends payable subject to vesting. For additional information regarding equity awards see Long-Term Incentive in the CD&A and Equity Incentive Plan Information.
- (3) Represents stock option grants made in 2012 under the Equity Incentive Plan. For additional information regarding outstanding options, see our Outstanding Equity Awards Table. For additional information regarding equity awards see Long-Term Incentive in the CD&A and Equity Incentive Plan Information.
- (4) Grant date fair value of stock and option awards was calculated in accordance with GAAP. The 2012 restricted stock awards are scheduled to vest based upon achievement of the actual cumulative Free Cash Flow target at the end of the three-year or two-year measuring period and are presented in the table based on target amounts. Refer to footnote (2) to our Summary Compensation Table for the maximum number of shares that could be awarded.

**Non-Equity Incentive Plan Awards**

Refer to our Summary Compensation Table for the actual payouts for fiscal 2012, 2011 and 2010. Additional information about these awards and our actual performance is included in our CD&A, Annual Performance Bonus.

**Equity Incentive Plan Awards**

During fiscal 2012, each of our named executive officers received awards under our Equity Incentive Plan. Additional information about the awards is included in our CD&A, Long-Term Incentive.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT DECEMBER 27, 2012**

Name	Stock Option Awards				Restricted Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Have Not Vested (b)	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date (a)	Number of Shares of Stock That Have Not Vested	Market Value of Shares of Stock That Have Not Vested (b)	Equity Incentive Plan Awards: Number of Unearned Shares That Have Not Vested (c)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Have Not Vested (b)
Kurt C. Hall	263,924		\$ 9.22	1/15/2019				
	153,573	76,787(d)	\$ 16.97	1/14/2020			76,787	\$ 1,085,000
	474,974		\$ 16.35	4/04/2021				
	73,502	147,004(e)	\$ 18.37	1/13/2021			73,502	\$ 1,038,583
		73,502(f)	\$ 13.14	1/12/2022			49,001	\$ 692,384
							73,502	\$ 1,038,583
Clifford E. Marks	90,738	52,755(g)	\$ 16.35	4/04/2021	9,944(i)	140,508		
	29,861	7,466(g)	\$ 24.04	9/07/2021				
	47,130		\$ 9.22	1/15/2019				
	71,749	41,136(d)	\$ 16.97	1/14/2020			41,136	\$ 581,251
	59,064	118,128(e)	\$ 18.37	1/13/2021			59,064	\$ 834,574
		59,064(f)	\$ 13.14	1/12/2022			39,376	\$ 556,382
							59,064	\$ 834,574
Gary W. Ferrera	95,752		\$ 18.01	5/01/2021	2,000(j)	28,260		
	40,000	10,000(e)	\$ 19.37	1/08/2018				
	66,432		\$ 9.22	1/15/2019				
	57,983	28,992(d)	\$ 16.97	1/14/2020			28,992	\$ 409,656
	27,752	55,503(e)	\$ 18.37	1/13/2021			27,752	\$ 392,135
		29,602(f)	\$ 13.14	1/12/2022			18,501	\$ 261,419
							29,602	418,276
Ralph E. Hardy	52,769		\$ 16.35	4/04/2021				
	46,444		\$ 9.22	1/15/2019				
	30,469	15,235(d)	\$ 16.97	1/14/2020			15,235	\$ 215,270
	19,123	38,244(e)	\$ 18.37	1/13/2021			19,122	\$ 270,193
		19,122(f)	\$ 13.14	1/12/2022			12,748	\$ 180,129
							19,122	\$ 270,193
Earl B. Weihe	17,909		\$ 16.35	4/04/2021				
	14,601		\$ 9.22	1/15/2019				
	13,921	6,961(d)	\$ 16.97	1/14/2020			6,961	\$ 98,358
	40,000	20,000(h)	\$ 19.17	11/04/2020			20,000	\$ 282,600
	17,012	34,022(e)	\$ 18.37	1/13/2021			17,011	\$ 240,365
		17,012(f)	\$ 13.14	1/12/2022			11,341	\$ 160,248
							17,012	\$ 240,379

(a) Options generally expire prior to date if named executive officer terminates employment.

(b) Amounts are based on the closing stock price, \$14.13 per share, on December 27, 2012 based on the target level of performance.

(c) The restricted stock awards are scheduled to vest based on achievement of the actual cumulative Free Cash Flow target at the end of the three-year or two-year measuring period. Refer to CD&A for discussion of cumulative Free Cash Flow.

(d) The options vest 33.33% per year commencing on January 14, 2011, subject to continuous service

## Edgar Filing: National CineMedia, Inc. - Form DEF 14A

- (e) The options vest 33.33% per year commencing on January 13, 2012, subject to continuous service.
- (f) The options vest 33.33% per year commencing on January 12, 2013, subject to continuous service.

**Table of Contents**

- (g) The options vest 20% per year commencing on January 1, 2009, subject to continuous service.  
(h) The options vest 33.33% per year commencing on November 4, 2011, subject to continuous service.  
(i) The restricted stock vests 20% per year commencing on January 1, 2009, subject to continuous service.  
(j) The restricted stock vests 20% per year commencing on January 8, 2009, subject to continuous service.  
See Long-Term Incentive in the CD&A for additional information.

**OPTION EXERCISES AND STOCK VESTED AT DECEMBER 27, 2012**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting (a)
Kurt C. Hall			103,661	\$ 1,587,960
Clifford E. Marks			57,073	\$ 869,791
Gary W. Ferrera			40,134	\$ 612,258
Ralph E. Hardy			17,223	\$ 266,807
Earl B. Weihe			5,459	\$ 84,430

(a) Amounts are based on the closing stock price on the date realized.

**Potential Payments Upon Termination or Change in Control**

The following summaries set forth potential payments payable to our named executive officers upon termination of their employment or a change in control of NCM, Inc. under their employment agreements, as amended, and under the Equity Incentive Plan. The following discussion is based on the assumption that the actual bonus amount would be the target amount reported as a non-equity incentive plan award in the Grants of Plan Based Awards table. Actual payments may be more or less than the amounts described below. In addition, the Company may enter into new arrangements or modify these arrangements, from time to time. Each employment agreement provides definitions for the termination reasons.

**Table of Contents**

The following table assumes the executive's employment was terminated under each of these circumstances on December 27, 2012 and such payments and benefits have an estimated value of:

	Cash Severance (1)	Bonus (1)	Medical Insurance (2)	Term Life Insurance (2)	Disability Insurance (2)	401(k) Employer Contrib. (2)	Value of Accelerated Equity Awards (3)
<b>Kurt C. Hall (a)</b>							
Without Cause	\$ 1,530,262	\$ 485,093	\$ 32,044	\$ 3,018	\$ 2,398		
For Good Reason	\$ 2,295,393	\$ 485,093	\$ 32,044	\$ 3,018	\$ 2,398		
Without Cause or For Good Reason 3 months prior or one year following a Change of Control	\$ 3,443,090	\$ 485,093	\$ 40,055	\$ 3,773	\$ 2,998		\$ 3,927,318
Death		\$ 485,093	\$ 16,022				
Disability		\$ 485,093	\$ 16,022	\$ 1,509	\$ 1,199		
<b>Clifford E. Marks (b)</b>							
Without Cause or For Good Reason or Expiration of Agreement	\$ 737,805	\$ 596,367	\$ 16,022	\$ 1,456	\$ 1,199	\$ 6,000	
Without Cause or For Good Reason 3 months prior or one year following a Change of Control		\$ 596,367					\$ 3,005,765
Death		\$ 596,367	\$ 16,022				
Disability*	\$ 368,903	\$ 596,367	\$ 16,022	\$ 1,456	\$ 1,199		
<b>Gary W. Ferrera (c)</b>							
Without Cause or For Good Reason or Expiration of Agreement	\$ 371,423	176,611	\$ 16,022	\$ 733	\$ 1,199	\$ 6,000	
Without Cause or For Good Reason 3 months prior or one year following a Change of Control		176,611					\$ 1,539,054
Death		176,611	\$ 16,022				
Disability*	\$ 185,712	176,611	\$ 16,022	\$ 733	\$ 1,199		
<b>Ralph E. Hardy (c)</b>							
Without Cause or For Good Reason or Expiration of Agreement	\$ 286,642	136,298	\$ 16,022	\$ 566	\$ 1,199	\$ 6,000	
Without Cause or For Good Reason 3 months prior or one year following a Change of Control		136,298					954,718
Death		136,298	\$ 16,022				
Disability*	\$ 143,321	136,298	\$ 16,022	\$ 566	\$ 1,199		
<b>Earl B. Weihe (c)</b>							
Without Cause or For Good Reason or Expiration of Agreement	\$ 255,000	138,751	\$ 5,007	\$ 503	\$ 1,199	\$ 6,000	
Without Cause or For Good Reason 3 months prior or one year following a Change of Control		138,751					\$ 1,038,794
Death		138,751	\$ 5,007				
Disability*	\$ 127,500	138,751	\$ 5,007	\$ 503	\$ 1,199		

\* net of amounts offset by disability insurance payments

(1) If the employment of the named executive officer is terminated by NCM, Inc. for reasons other than disability, death or cause, or the executive resigns for good reason, as defined in the agreement, or his agreement is not renewed on substantially equal terms, he will be entitled to severance for a specified period and any annual bonuses awarded but not yet paid. If the named executive officer's employment



## Edgar Filing: National CineMedia, Inc. - Form DEF 14A

terminates due to his death, his beneficiaries will receive his base salary paid through the end of the month of his death. Except for Mr. Hall, if the named executive officer terminates

## **Table of Contents**

employment on account of his disability, in exchange for a release of claims against the Company, he will be entitled to his base salary for a period of six months following termination, offset by any disability benefits provided under a company sponsored benefit arrangement.

- (a) If the employment of Mr. Hall is terminated by NCM, Inc., for reasons other than permanent disability, death or cause, he will be entitled to severance equal to two times his base salary. If Mr. Hall resigns from NCM, Inc. with good reason, as defined in the agreement, he will be entitled to severance equal to three times his base salary. If, within three months before or one year after a change of control, as defined in the agreement, Mr. Hall resigns for good reason or his employment is terminated for reasons other than permanent disability, death or cause, he would be entitled to severance equal to 2.25 times the sum of his base salary and his target bonus. If Mr. Hall terminates employment for any reason, other than cause, he or his beneficiaries will receive his actual bonus for the current year prorated by the number of days until his termination to be paid at the same time bonuses are paid to other executives. Because this table assumes termination as of December 27, 2012, the full 2012 bonus would be payable. Amounts are based on Mr. Hall's base salary in effect on January 16, 2013.
  - (b) Mr. Marks will be entitled to severance equal to the greater of (1) his base salary paid over the remaining existing term of the contract and a bonus equal to the last bonus paid per month applied against the remaining contract period or (2) one year of base salary plus 100% of the bonus amount paid for the last full year of employment. The cash severance amount is based on Mr. Marks' base salary in effect on January 16, 2013 and the bonus amount is based on the Summary Compensation Table under the heading Non-Equity Incentive Plan Compensation for 2012.
  - (c) Messrs. Ferrera, Hardy and Weihe's severance represent base salary paid over 12 months based on their base salary in effect on January 16, 2013.
- (2) Except for Mr. Hall, if the employment of a named executive officer is terminated by NCM, Inc. for reasons other than disability, death or cause, or he resigns for good reason, as defined in the agreement, the named executive officer is entitled to receive an amount equal to NCM, Inc.'s premium costs or other contributions made by the Company on behalf of each named executive officer with respect to all employee benefit plans or programs that such named executive officer was participating in on the date of his termination of employment, for a specified period. If Mr. Hall's employment is terminated by NCM, Inc. for reasons other than disability, death or cause, or he resigns for good reason, as defined in the agreement, he will be entitled to payments equal to the amount of company contributions and payments under any medical, health and life insurance plans per month for the preceding calendar year, for a specified period. If the named executive officer terminates employment on account of his death or disability, he or his beneficiaries will be entitled to one year of continued coverage under the NCM, Inc. medical and health insurance plan pursuant to COBRA and life insurance coverage.
- (a) Amounts for Mr. Hall represent a 24-month period, except if within three months before or one year after a change of control, as defined in the agreement, then he is entitled to 30-months of continued benefits.
  - (b) Amounts for Mr. Marks represent estimates until the date he receives equivalent coverage but not longer than the period for which his base salary is paid after termination.
  - (c) Amounts for Messrs. Ferrera, Hardy and Weihe represent a 12-month period.
- (3) Under the Equity Incentive Plan, if within three months prior to or one year after the consummation of a change of control, as defined in the plan, the named executive officer's employment is terminated by NCM, Inc., its affiliate or a successor in interest without cause or by the named executive officer for good reason, both as defined in the plan, then all outstanding options and stock appreciation rights shall become immediately exercisable and all other awards shall become vested and any restrictions will lapse. Amounts are based on the closing stock price, \$14.13 per share, on December 27, 2012.

## **Employment Agreements**

On February 13, 2007, NCM, Inc. and NCM LLC entered into multi-year employment agreements with each of our named executive officers as described further below, except for Mr. Weihe. The agreements were amended effective as of January 1, 2009 in order to comply with the requirements of Section 409A and Section 162(m) of the Internal Revenue Code of 1986. We entered into an employment agreement with Mr. Weihe on August 24, 2011. The Compensation Committee believes these employment agreements are consistent with the industry standard in our industry for top executives. The agreements provide for payments and benefits if each executive's employment with the Company and its affiliates is terminated (i) without cause (as defined in the agreements), (ii) for good reason (as defined in the agreements), (iii) without cause or good reason three months prior to or within one year following a change of control (as defined in the agreements),

## **Table of Contents**

(iv) in the event of death, and (v) in the event of disability. See Potential Payments Upon Termination or Change in Control for additional information about such payments and benefits.

### ***Kurt C. Hall***

Mr. Hall's employment agreement, which initially had a two-year term beginning February 13, 2007, provides that he will serve as President, Chief Executive Officer and Chairman of the Board of NCM, Inc. On each May 24, beginning in 2007, one year is added to the term of the agreement. The agreement initially provided that Mr. Hall be paid an initial base salary at the rate of \$700,000 per year, subject to annual increases at the discretion of the Compensation Committee based on previous year performance, market conditions and other factors deemed to be relevant by the Compensation Committee. The Compensation Committee increased Mr. Hall's base salary to \$735,420, \$750,128 and to \$765,131 effective January 2010, January 2011 and January 2012, respectively. There was no base salary increase for 2013. In addition to base salary, Mr. Hall is eligible to receive an annual cash bonus pursuant to the Company's annual Performance Bonus Plan based upon attainment of performance goals determined by the Compensation Committee. Mr. Hall will also be reimbursed for reasonable out-of-pocket business expenses. Under the agreement, during his employment and for 12 months thereafter, Mr. Hall, subject to certain limitations, has agreed not to compete with NCM, Inc. or any of its affiliates or subsidiaries or solicit anyone who was employed by these entities. Under the agreement, Mr. Hall has also agreed not to divulge or disclose confidential information of NCM, Inc. or its affiliates or subsidiaries except in the business of and for the benefit of NCM, Inc., or as required by law.

### ***Clifford E. Marks***

Mr. Marks' employment agreement, which initially had a two-year term beginning February 13, 2007, provides that he will serve as the President of Sales & Marketing. On September 30 of each year, beginning in 2008, the term is automatically extended by one year. Under the agreement, Mr. Marks is paid a base salary, which was initially at the rate of \$675,000 per year with increases of not less than 1% annually; however the Company and Mr. Marks agreed that his base salary would not be increased for fiscal 2009. The Compensation Committee increased Mr. Marks' base salary to \$709,155, \$723,338 and to \$737,805 effective January 2010, January 2011 and January 2012, respectively. There was no base salary increase for 2013. The Compensation Committee will review Mr. Marks' salary at least annually and may increase (but not reduce) the base salary in its sole discretion. In addition to base salary, Mr. Marks is eligible to receive an annual cash bonus pursuant to the Company's annual Performance Bonus Plan based upon attainment of performance goals determined by the Compensation Committee. The Compensation Committee will review Mr. Marks' bonus structure and may adjust the bonus structure in its sole discretion based on previous year performance, market conditions and other factors deemed relevant by the Compensation Committee. Under the agreement, during his employment and for 12 months thereafter, Mr. Marks has agreed not to compete with NCM, Inc., its affiliates or subsidiaries, or solicit anyone who is an employee, officer or agent of these entities. Under the agreement, Mr. Marks has also agreed not to divulge or disclose customer lists or trade secrets of NCM, Inc. or its affiliates or subsidiaries except in the course of carrying out his duties under the agreement or as required by law.

### ***Gary W. Ferrera***

Mr. Ferrera's employment agreement, which initially had a one-year term beginning February 13, 2007, provides that he will serve as Executive Vice President and Chief Financial Officer of NCM, Inc. On each April 1, beginning in 2007, one year is added to the termination date. The agreement initially provided that Mr. Ferrera be paid an initial base salary of \$325,000 per year, subject to further annual increases at the discretion of the Compensation Committee based on previous year performance, market conditions and other factors deemed relevant by the Compensation Committee. The Compensation Committee increased Mr. Ferrera's base salary to \$357,000, \$364,140 and to \$371,423 effective January 2010, January 2011 and January 2012, respectively. There was no base salary increase for 2013. In addition to base salary, Mr. Ferrera is eligible to receive an annual bonus pursuant to the Company's annual Performance Bonus Plan based upon attainment of

## **Table of Contents**

performance goals determined by the Compensation Committee. Under the agreement, during his employment and for 12 months thereafter, Mr. Ferrera has agreed not to compete with NCM, Inc. or any of its affiliates or subsidiaries, or solicit any of the employees, officers or agents of these entities. Under the agreement, Mr. Ferrera has also agreed not to divulge or disclose customer lists or trade secrets of NCM, Inc. or its affiliates or subsidiaries except in the course of carrying out his duties under the agreement or as required by law.

### ***Ralph E. Hardy***

Mr. Hardy's employment agreement provides that he will serve as the Executive Vice President and General Counsel of NCM, Inc. The term of employment terminates on each December 31, but will be considered automatically renewed unless notice of termination is given by either party. The agreement initially provided that Mr. Hardy be paid an initial base salary at the rate of \$221,728 per year, subject to further annual increases at the discretion of the Compensation Committee based on previous year performance, market conditions and other factors deemed relevant by the Compensation Committee. The Compensation Committee increased Mr. Hardy's base salary to \$262,637, \$281,022 and to \$286,642 effective January 2010, January 2011 and January 2012, respectively. There was no base salary increase for 2013. In addition to base salary, Mr. Hardy is eligible to receive an annual cash bonus pursuant to the Company's annual Performance Bonus Plan based upon attainment of performance goals determined by the Compensation Committee. Under the agreement, during his employment and for so long as he is entitled to receive any benefits or payment under the agreement (but in no event less than 12 months), Mr. Hardy has agreed not to compete with NCM, Inc. or any of its affiliates or subsidiaries, or solicit any of the employees, officers or agents of these entities. Under the agreement, Mr. Hardy has also agreed not to divulge or disclose customer lists or trade secrets of NCM, Inc. or its affiliates or subsidiaries except in the course of carrying out his duties under the agreement or as required by law.

### ***Earl B. Weihe***

Mr. Weihe's employment agreement, effective August 24, 2011, provides that he will serve as the Executive Vice President and Chief Operations Officer of NCM, Inc. The term of employment terminates on each December 31, but will be considered automatically renewed unless notice of termination is given by either party. The agreement initially provided that Mr. Weihe be paid an initial base salary at the rate of \$250,000 per year, subject to further annual increases at the discretion of the Compensation Committee based on previous year performance, market conditions and other factors deemed relevant by the Compensation Committee. The Compensation Committee increased Mr. Weihe's base salary to \$255,000 effective January 2012. In addition to base salary, Mr. Weihe is eligible to receive an annual cash bonus pursuant to the Company's annual Performance Bonus Plan based upon attainment of performance goals determined by the Compensation Committee. Under the agreement, during his employment and for so long as he is entitled to receive any benefits or payment under the agreement (but in no event less than 12 months), Mr. Weihe has agreed not to compete with NCM, Inc. or any of its affiliates or subsidiaries, or solicit any of the employees, officers or agents of these entities. Under the agreement, Mr. Weihe has also agreed not to divulge or disclose customer lists or trade secrets of NCM, Inc. or its affiliates or subsidiaries except in the course of carrying out his duties under the agreement or as required by law.

## **DIRECTOR COMPENSATION**

### ***Non-Employee Directors***

For our 2012 fiscal year, our directors who were not our employees or employees of our founding members ( independent directors ) received an annual cash retainer of \$44,200, plus \$1,683 for each meeting of the board of directors they attended. In addition, our independent directors received a restricted stock unit grant of 7,610 shares on January 12, 2012 at \$13.14 per share. The restricted stock units are settled in shares of the Company's common stock. The restricted stock units vested on February 12, 2013 and had a value of \$15.54 per share based on the closing price of the Company's common stock on the vesting date. The restricted stock unit awards

**Table of Contents**

include the right to receive dividend equivalents, subject to vesting. Annual retainers were paid to the chairperson of each committee of the board of directors as follows: \$11,220 for the Audit Committee chairperson; \$5,610 for each of the Compensation Committee chairperson and the Nominating and Governance Committee chairperson and \$5,610 for the lead director retainer fee. Audit Committee members also receive \$1,683 for each Audit Committee meeting they attend, and Compensation Committee and Nominating and Governance Committee members receive \$1,122 for each meeting of those committees they attend. In addition, members of the Fathom special committee received \$1,122 for each meeting they attended. We reimburse all of our directors for reasonable travel, lodging and other expenses related to their service on our board of directors.

In January 2013, the Nominating and Governance Committee considered compensation for 2013 for non-employee directors and recommended the following changes. Annual cash retainers were set as follows: \$45,000 for Board service, \$12,000 for Audit Committee Chair, \$6,000 for each of Compensation Committee chairperson and Nominating and Governance Committee chairperson. Meeting fees were set at \$1,750 per meeting for the Board and Audit Committee Meetings and \$1,200 per meeting for the Compensation and Nominating and Governance Committee. In addition, non-employee directors received a grant of 6,676 restricted stock units at \$14.98 per share on January 16, 2013. The restricted stock units will be settled in shares of the Company's common stock. The restricted stock units are scheduled to vest on February 15, 2014, subject to continuous service. The restricted stock unit awards include the right to receive dividend equivalents, subject to vesting.

**Employee Directors**

Our employees and employees of our founding members who also serve as directors receive compensation for their services as employees from their respective employers, but they do not receive any additional compensation from us for their service as our directors.

**FISCAL 2012 DIRECTOR COMPENSATION**

Name	Fees Earned or	Stock Awards	All Other	Total
	Paid in Cash		Compensation	
	(1)	(2)	(3)	
Lawrence A. Goodman	\$ 82,348	\$ 100,000	\$ 6,697	\$ 189,045
David R. Haas	\$ 78,401	\$ 100,000	\$ 6,697	\$ 185,098
James R. Holland, Jr.	\$ 71,869	\$ 100,000	\$ 6,697	\$ 178,566
Stephen L. Lanning	\$ 81,787	\$ 100,000	\$ 6,697	\$ 188,484
Edward H. Meyer	\$ 76,177	\$ 100,000	\$ 6,697	\$ 182,874
Scott N. Schneider	\$ 67,201	\$ 100,000	\$ 6,697	\$ 173,898

- (1) The following table provides details about each component of the Fees Earned or Paid in Cash column from the Fiscal 2012 Director Compensation Table above.

Name	Annual	Committee Chair	Meeting	Total Fees
	Retainer	Retainer	Fees	Earned or Paid in Cash
Lawrence A. Goodman	\$ 44,200	\$ 5,610	\$ 34,782	\$ 84,592
David R. Haas	\$ 44,200	\$ 11,200	\$ 25,245	\$ 80,645
James R. Holland, Jr.	\$ 44,200	\$ 5,610	\$ 21,879	\$ 71,689
Stephen L. Lanning	\$ 44,200	\$ 5,610	\$ 31,977	\$ 81,787
Edward H. Meyer	\$ 44,200		\$ 31,977	\$ 76,177
Scott N. Schneider	\$ 44,200		\$ 25,245	\$ 69,445

- (2) The amounts represent the aggregate grant date fair value of the restricted stock unit awards as computed under ASC 718 and do not represent cash payments made to the individuals or amounts realized. The grant date fair value of the awards was \$13.14 per share, the closing price of our common stock on January 12, 2012, the date of grant.



**Table of Contents**

(3) During 2012, NCM, Inc. accrued per share dividends of \$0.22 on March 22, 2012, May 31, 2012, August 30, 2012 and November 29, 2012, respectively. The accrued dividends were paid on March 5, 2013 after the vesting on February 12, 2013.

The restricted stock units are also subject to the terms and provisions of the Equity Incentive Plan. The following table provides details about the Stock Awards column from the Fiscal 2012 Director Compensation Table above and outstanding stock awards at December 27, 2012.

Name	Grant Date	Fiscal 2012 Grants		Outstanding Equity Awards at December 27, 2012	
		Number of Shares of Stock	Grant Date Fair Value of Stock Awards (a)	Number of Shares of Stock that have not vested	Market Value of Shares of Stock That Have Not Vested (b)
Lawrence A. Goodman	1/12/2012	7,610	\$ 100,000	7,610	\$ 107,534
David R. Haas	1/12/2012	7,610	\$ 100,000	7,610	\$ 107,534
James R. Holland, Jr.	1/12/2012	7,610	\$ 100,000	7,610	\$ 107,534
Stephen L. Lanning	1/12/2012	7,610	\$ 100,000	7,610	\$ 107,534
Edward H. Meyer	1/12/2012	7,610	\$ 100,000	7,610	\$ 107,534
Scott N. Schneider	1/12/2012	7,610	\$ 100,000	7,610	\$ 107,534

(a) Calculated in accordance with ASC Topic 718 as described in footnote (2) to the Fiscal 2012 Director Compensation Table above and based on our closing share price on the grant date of \$13.14 per share on January 12, 2012.

(b) Amounts are based on the closing stock price, \$14.13 per share, on December 27, 2012.

## **Table of Contents**

### **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

#### **General**

Before the completion of our IPO in February 2007, NCM LLC was wholly owned by our founding members. In connection with the completion of our IPO, NCM, Inc. purchased from NCM LLC a number of newly issued common membership units, at a price per unit equal to the IPO price per share, less underwriting discounts and commissions and related offering expenses. NCM LLC paid a portion of the proceeds it received from the sale of its units to NCM, Inc. to our founding members in exchange for their agreement to modify payment obligations under their exhibitor services agreement (ESA). In connection with the completion of the IPO, the underwriters exercised their over-allotment option to purchase additional shares in full, and we acquired an equivalent number of additional units in NCM LLC promptly after issuing the additional shares pursuant to the over-allotment.

As of December 27, 2012, NCM, Inc. owned approximately 48.6% of the outstanding common membership units in NCM LLC, and the founding members collectively owned approximately 51.4% of the outstanding common membership units in NCM LLC. NCM, Inc. is the sole managing member of NCM LLC.

We entered into several agreements to effect the reorganization and the financing transaction and to define and regulate the relationships among us, NCM LLC and the founding members after the completion of the IPO. Except as described in this section, we do not expect to have any material arrangements with NCM LLC, the founding members or any of our or their respective directors, officers or other affiliates going forward, other than ordinary course business relationships.

Further transactions between NCM, Inc. and our founding members, if any, have been and will continue to be approved by our Audit Committee, which is composed of independent members of our board of directors, or another committee comprised entirely of independent members of our board. Our Audit Committee charter authorizes the Audit Committee to hire financial advisors and other professionals to assist the committee in evaluating and approving any transaction between us and any related party, including our founding members.

#### **Transactions with Founding Members**

##### ***Exhibitor Services Agreements***

On February 12, 2007, NCM LLC and each of AMC, Cinemark and Regal agreed upon the final terms of the ESAs between NCM LLC and AMC, Cinemark and Regal, respectively. The ESAs, which replace the ESAs previously in effect among NCM LLC, AMC, Cinemark and Regal, were executed by the parties effective February 13, 2007 and have been amended several times since that date, as discussed below. Certain basic terms of the ESAs are discussed below:

**Services Provided.** Pursuant to the ESAs, NCM LLC is the exclusive provider within the United States of advertising services in the founding members' theatres (subject to pre-existing contractual obligations and other limited exceptions for the benefit of the founding members), as well as of meeting events and digital programming events through our Fathom Events business, and the founding members agree to participate in such services. Advertising services include on-screen advertising and the *FirstLook* pre-show, use of the lobby entertainment network and lobby promotions. Meetings and events involve the hosting of meetings primarily for corporations and distribution of entertainment programming. The advertising, entertainment programming, promotions and Fathom events that are included within the services provided by NCM LLC are generally referred to herein as the services.

**Term and Termination.** The ESAs entered into at the completion of the IPO have a term of 30 years for advertising. The terms for Fathom Events businesses are five years with provisions for automatic renewal for a series of additional five-year terms through 2037 if certain financial performance conditions during each five-year term are met by our Fathom Business or Fathom Consumer businesses, as applicable. If such financial



## **Table of Contents**

performance conditions are not met, the founding member may elect to extend the term relating to meetings or digital programming, as applicable so long as the Fathom Business and Fathom Consumer businesses are profitable (as defined). If the Fathom Business and Fathom Consumer businesses are not profitable (as defined) either the founding members or NCM LLC may elect not to extend the term relating to those businesses. Beginning one year prior to the end of the 30-year term of the ESAs, NCM LLC will have a five-year right of first refusal to enter into a services agreement for the services provided under the ESA with the applicable founding member on terms equivalent to those offered by a third-party.

The financial test for the Fathom business meeting division for the period ending December 29, 2011 was not met and certain of the rights and obligations associated with that part of the Fathom business were transferred back to the founding members during early 2012. The financial performance conditions for the Fathom Consumer entertainment programming part of the Fathom business were met and thus our rights have been extended for a second five-year term through the end of fiscal 2016.

Either party may terminate the agreement upon:

a material breach of the ESA by the other party after notice and a cure period;

a government, regulatory or judicial injunction, order or decree; or

bankruptcy, insolvency or dissolution of the other party, appointment of a receiver or trustee for the other party who is not dismissed within 60 days or cessation of business or inability to pay debts.

**Theatres.** The founding members are required to make all of their theatres available for the services, including theatres that are newly acquired or built during the term of the ESA, but excluding draft house and art house theatres (attendance at which shall not exceed 4% of the attendance at the founding member's participating theatres for the preceding year) and screens exhibiting IMAX technology. For newly acquired theatres that are subject to contracts with an alternative cinema advertising provider, if the founding member wishes to receive common membership units in NCM LLC (as provided in the Common Unit Adjustment Agreement described below) at the time the theatres are acquired, the ESA provides that the founding member may make certain run out payments until NCM LLC can utilize the theatres for all of its services. Alternatively, the founding member may wait to receive common membership units for the acquired theatres until the contracts with the alternative providers have expired and NCM LLC may provide its services without limitation.

**Lobby Entertainment Network.** With exceptions for digitized theatres that already have lobby screens for the lobby entertainment network, the founding members are required to have one lobby entertainment network screen in digitized theatres with ten or fewer auditoriums, two lobby entertainment network screens in digitized theatres with eleven to twenty auditoriums and three lobby entertainment network screens in digitized theatres with more than twenty auditoriums.

**Inventory.** The pre-feature program for digital on-screen advertising is generally 20 to 30 minutes long, and the founding members have agreed to use commercially reasonable efforts to open their auditoriums to customers at least 20 minutes prior to the advertised show time. Lobby entertainment network advertising is displayed in a repeating loop. With respect to lobby promotions, there is an inventory of lobby promotions that are pre-approved by the founding members. Additional lobby promotions may be added to the pre-approved inventory upon consent by NCM LLC and the founding member. The ESA also establishes pre-approved periods when such events may be exhibited in applicable theatres, specifically on Monday through Thursday evenings for digital programming events and Monday through Thursday from 6:00 a.m. to 6:00 p.m. for meetings, in both cases except during specified peak holiday periods. Fathom Consumer events may be exhibited and Fathom Business events may be conducted at other times upon consent by NCM LLC and the founding member.

**Payments.** In consideration for NCM LLC's access to NCM LLC's founding members' theatre attendees for on-screen advertising and use of off-screen locations within the founding members' theatres for the lobby entertainment network and lobby promotions, the founding members receive a monthly theatre access fee under

## **Table of Contents**

the ESAs. The theatre access fee is composed of a fixed payment per patron and a fixed payment per digital screen, which will be adjusted for any advertising exhibited by some, but not all, theatres or founding members because of content objections or technical capacity. The payment per theatre patron will increase by 8% every five years with the first such increase taking effect after the end of fiscal 2011 and the payment per digital screen increases annually by 5%, beginning after the end of fiscal 2007. In 2012, the theatre access fee aggregate payments to the founding members totaled \$64.5 million. The theatre access fee paid in the aggregate to all founding members cannot be less than 12% of NCM LLC's aggregate advertising revenue (as defined in the ESA), or it will be adjusted upward to reach this minimum payment. Beginning on October 1, 2010, the theatre access fee paid to the members of NCM LLC included an additional fee for digital cinema systems connected to our advertising network pursuant to an amendment of the ESAs entered into during 2010. These new systems will not only provide higher quality 2D images, they will also expand our capability to provide 3D advertising and 3D live and pre-recorded Fathom events.

In consideration for the exhibition of Fathom Consumer events, the founding members retain 15% of the revenue from ticket sales, net of taxes and refunds and 100% of the concession sales. NCM LLC distributes a total of 15% of the net revenue received from any promotional fee for a Fathom Consumer event to the founding members that participated in such Fathom Consumer event, allocated based upon the number of tickets sold. Revenue from Fathom Business events is shared based on the type of event. On November 5, 2008, NCM LLC and the founding members agreed to an amendment of the ESA that, among other things, provides the founding members with the flexibility to book digital programming directly with major studios and provides NCM LLC a payment of a percentage of the ticket revenue associated with the event, however there were no such events in 2012[is this a true statement?].

For Fathom Business Meetings with a Movie or Fathom Business Meetings with a Consumer Event, the founding member retains the proceeds of movie ticket sales for a full sale of the auditorium (at adult ticket prices) and NCM LLC retains other fees associated with the meeting. For meetings without a movie, NCM LLC pays the founding member 15% of the rental revenue for the meeting. For church worship services, NCM LLC pays the founding member 50% of the rental revenue for the meeting. In 2012, aggregate payments to the founding members for use of their screens and theatres for our meetings and events business totaled \$5.5 million.

NCM LLC pays the cost associated with providing its services to the founding members' theatres, which includes selling and marketing expenses (including base salaries, commissions and benefits of our advertising sales staff and marketing, public relations and research departments), network operations and maintenance costs (including costs to run our network operations center, satellite bandwidth costs and costs for the maintenance of the network software and hardware), advertising and event costs (including production and other costs associated with non-digital advertising, and direct costs of events) and administrative expenses (including salaries, bonuses and benefits for our administrative staff and occupancy costs). The founding members pay the in-theatre operational costs of exhibiting the services within the theatres (such as electricity), except that any incremental costs (such as third-party security at digital programming events) may be reimbursed by NCM LLC.

**Beverage Concessionaire Agreements.** Under the ESAs, NCM LLC displays up to 90 seconds of on-screen advertising for beverage concessionaires at the time established in their agreements with the founding members and the founding members are required to pay to NCM LLC an initial beverage agreement advertising rate based on CPM (cost per thousand) impressions for the beverage advertising. During 2012, NCM LLC displayed 60 seconds of on-screen advertising for beverage concessionaires for all founding member exhibitors. As long as the beverage agreement advertising rate does not exceed the highest rate being charged by NCM LLC for on-screen advertising, the rate increases annually at a percentage equal to the annual increase in the advertising rate charged by NCM LLC to unaffiliated third parties. In 2012, total revenue from the founding members related to the beverage concessionaire agreements totaled \$39.7 million.

**Equipment.** Founding members' existing digitized theatres have the requisite equipment to participate in the advertising services. Equipment acquisitions are funded by the founding members. For newly acquired and built theatres, as well as theatres converting from the non-digitized to digitized format, in most cases NCM LLC is

## **Table of Contents**

responsible for procuring the equipment necessary to deliver its services on behalf of the founding members, however the founding members have the option to procure equipment directly. The founding members will pay for (through a reimbursement to NCM or directly) any equipment within the theatre and NCM LLC will pay for the equipment that is not within or attached (satellite dish) to the theatres and for any testing equipment installed within the theatres to maintain NCM LLC's software. Under the ESAs, the founding members will be responsible for the cost of installation of equipment purchased, but they may elect to have NCM LLC perform the installation, in which case NCM LLC will be reimbursed for installation services. If satellite service is not available and a landline connection is required for delivery of its services, NCM LLC will pay for the costs of the landline connection with respect to delivery of content from NCM LLC to the founding member's wide area network, and the founding member will pay the costs with respect to delivery of content from its wide area network to its theatres.

Each party owns the equipment for which it pays or for which it reimburses the other party. NCM LLC may request replacement, upgrade or modification of equipment or software in any theatre, provided such request is made to all founding members, and NCM LLC and the founding member will negotiate the terms and cost-sharing of any upgrade requests. Under the ESAs, if no agreement is reached regarding the upgrade request, NCM LLC may elect to pay for the proposed replacements, upgrades or modifications. The parties, pursuant to the ESAs, agree to use commercially reasonable efforts to replace the current digital content network through the integration with any network for delivery of digital cinema services so that NCM LLC's services can be delivered over any such digital cinema network. As the majority of the cost of the digital cinema deployment will be funded by others, it is not expected to create a significant increase in our capital expenditures and is not expected to have a material adverse impact on our Adjusted OIBDA as increases in our operating costs are expected to be offset by the sales benefits associated with the higher quality projection and ability to display 3D advertising and events. NCM LLC will perform repair and routine maintenance of equipment, unless the founding member elects to assume this responsibility. If NCM LLC is performing repair and routine maintenance, it will bear the cost of repairs (subject to limited restrictions), but not replacement. The founding member will pay the expense of equipment repair or replacement if the expense would constitute a capital expense for NCM LLC or if the expense is payable by the founding member's insurance provider upon theft or insured damage.

**Content Standards.** Section 4.03 of each of the ESAs establishes content standards for the services that NCM LLC provides. Specifically, content may not (a) be subject to a Motion Picture Association of America X or NC-17 rating or the equivalent; (b) promote illegal activity; (c) promote the use of tobacco, sexual aids, birth control, firearms, weapons or similar products; (d) promote alcohol, except prior to R-rated films in an auditorium; (e) constitute religious advertising, except the time and location for local church services; (f) constitute political advertising or promote gambling; (g) promote competitive theatres, theatre circuits or other entities that compete with the founding member or NCM LLC; (h) violate any of the founding member's beverage agreements or identified exclusive contractual relationships; or (i) otherwise negatively reflect on the founding member or adversely affect the founding member's attendance, as determined in the founding member's reasonable discretion and specified with respect to the geographical locations affected. If certain founding members decline to exhibit an advertisement on the basis of these content standards, while other founding members agree to exhibit it, the revenue from such advertisement is considered 4.03 Revenue. 4.03 Revenue will increase the theatre access fee paid to the founding members that displayed such advertisement relative to the founding members that did not display such advertisement in all or some of their theatres.

**Founding Member Brand.** The ESAs provides that NCM LLC, in coordination with each founding member, creates a brand identity for the founding member, presented in interstitial messaging during the *FirstLook* pre-feature program, including an introduction and close to the program. NCM LLC also includes in the pre-feature show up to two minutes for promotion of the founding member in segments called branded slots, and NCM LLC includes founding member branding in the policy trailer it produces. The branded slots may include theatre advertising, as described below. The branded slots are provided by NCM LLC to the founding members at no charge and include 45 seconds within 15 minutes of show time, 15 seconds of which is placed within 12 minutes

## Table of Contents

of show time, and the remainder placed at NCM LLC's discretion. After the advertised show time (and after the pre-feature show), the founding members may also exhibit a policy trailer regarding theatre policy and operations. The policy trailer may include promotions of the founding member's concessions and may display branding of film studios, distributors or production companies. Upon prior written approval of the founding member, NCM LLC may sell advertising for inclusion in the policy trailer. Under the ESAs, NCM LLC provides, at no additional cost to the founding members, creative services to prepare branding material for the founding members, subject to a 1,000 hour annual limit for creative services to each founding member. After this hour limit is reached, the founding member may purchase additional creative services on an hourly basis. For 2012, AMC used 640 hours, Cinemark used 1,000 hours and Regal used 985 hours of creative services provided by NCM LLC.

Founding Member Strategic Programs. The ESAs allow a founding member to exhibit advertising that is not directly related to theatre operations but is designed to promote the theatres or the movie-going experience to increase attendance or revenue (other than revenue from the sale of advertising) for the founding member (called a founding member strategic program). The founding member, at no cost, may use one minute for every 30 minutes of advertising on the lobby entertainment network and certain lobby promotions for its strategic programs in up to two local or regional promotions per theatre per flight (the approximately four- to five-week period that advertising content runs before being refreshed by NCM LLC) and up to four national promotions per year, provided that only one national promotion is running at any given time. The founding member may purchase an additional minute of lobby entertainment network time, for strategic programs at rate card rates and subject to availability. Any additional strategic advertising on the lobby entertainment network or as part of a lobby promotion must be agreed to by NCM LLC. There was not a significant amount of lobby entertainment network or lobby promotion provided to the founding members during 2012.

Theatre Advertising. The ESAs permit the founding members to use their branded slot time (as described above) within the *FirstLook* program and the lobby entertainment network and certain lobby promotions to promote various activities associated with operation of the theatres, including concessions, ticketing partners, gift card and loyalty programs, special events presented by the founding member and vendors of non-film related services provided to theatres, so long as such promotions are incidental to the vendor's service (called theatre advertising). The ESAs also permit the founding members to:

purchase additional theatre advertising at an arm's length basis and subject to availability;

include promotion of concessions and display branding of film studios, distributor or production companies in the policy trailer;

exhibit theatre advertising and other internal programming, on lobby screens in excess of the lobby entertainment network requirements;

promote the grand opening of a theatre with promotions involving local businesses for the period of 14 days before to 14 days after the opening of such theatre, which may include, subject to availability, one on-screen advertisement of 30 seconds in length;

place advertising for full-length feature films on special popcorn tubs in circumstances where NCM LLC does not sell such advertising; and

allow employee uniform suppliers to advertise on theatre employees' uniforms.

Non-Competition. The founding members agree not to compete with NCM LLC in the businesses that the ESA authorizes NCM LLC to conduct, unless:

the founding member or an affiliate acquires a competing business as an incidental part of an acquisition and disposes of the competing business as soon as practicable;

the founding member and any affiliates acquire an aggregate direct or indirect ownership of less than 10% of the voting power of a competitive business; or

## **Table of Contents**

the founding member enters into an agreement for the acquisition or installation of equipment or the provision of services with a competitor of NCM LLC, if there is no violation of NCM LLC's exclusive provision of services under the ESA.

**Certain Other Provisions.** The ESA includes (a) a limited license from NCM LLC to the founding member for use of NCM LLC's software and marks and (b) a limited license from the founding member to NCM LLC for use of the founding member's marks. Each party makes standard representations and warranties, such as due formation and authorization to enter into and perform the agreement, and each party agrees to indemnify the other for certain liabilities. If the ESA with one founding member is amended, other founding members have the right to amend their ESAs to match such change pursuant to a most-favored nations provision. Neither party may assign, including by operation of law, its rights or obligations under the ESA, except to certain permitted transferees affiliated with the transferring entity.

**Net Payments to Founding Members.** In 2012, the net payments to (from) each founding member for theatre access fees, payments for use of their screens and theatres for our meetings and events business and for beverage concessionaire agreements were \$8.7 million to AMC, \$8.7 million to Cinemark and \$12.9 million to Regal, respectively.

### ***NCM LLC Operating Agreement***

On February 12, 2007, NCM, Inc., AMC, Cinemark and Regal agreed upon final terms of the NCM LLC third amended and restated limited liability company operating agreement. The restated operating agreement was executed by the parties effective February 13, 2007. On March 16, 2009, NCM LLC entered into a First Amendment to the NCM LLC third amended and restated limited liability company operating agreement to redefine the purpose of the Company to permit it to provide advertising at a variety of out-of-home advertising venues in addition to movie theatres. On August 6, 2010, NCM LLC entered into a Second Amendment to the NCM LLC third amended and restated limited liability company operating agreement to modify the timing of written notice should a founding member desire to exercise its option to redeem common membership units. Certain basic terms of the restated operating agreement are discussed below.

**Appointment as Manager.** Under the restated operating agreement, we became a member and the sole manager of NCM LLC. As the sole manager, we control all of the day to day business affairs and decision-making of NCM LLC without the approval of any other member. As such, we, through our officers and directors, are responsible for all operational and administrative decisions of NCM LLC and the day-to-day management of NCM LLC's business. Furthermore, we cannot be removed as manager of NCM LLC.

Except as necessary to avoid being classified as an investment company or with the founding members' approval, as long as we are the manager of NCM LLC our business will be limited to owning and dealing with units, managing the business of NCM LLC, fulfilling our obligations under the Exchange Act, and activities incidental to the foregoing.

**Founding Member Approval Rights.** If any director designee to our board of directors designated by NCM LLC's founding members pursuant to the Director Designation Agreement described below is not appointed to our board, nominated by us or elected by our stockholders, as applicable, then each of the founding members (so long as such founding member continues to own 5% of NCM LLC's issued and outstanding common membership units) will be entitled to approve the following actions of NCM LLC:

approving any budget or any amendment or modification of the budget;

incurring any indebtedness or entering into or consummating any other financing transaction that is not provided for in the budget;

entering into or consummating any agreements or arrangements involving annual payments by NCM LLC (including the fair market value of any barter) in excess of \$5 million (subject to annual

**Table of Contents**

adjustment based on the Consumer Price Index), except as otherwise provided in the budget, or any material modification of any such agreements or arrangements;

entering into or consummating any agreements or arrangements involving annual receipts (including the fair market value of any barter) in excess of \$20 million (subject to annual adjustment based on the Consumer Price Index), or any material modification of any such agreements or arrangements;

except as contemplated herein, declaring, setting aside or paying any redemption of, dividends on, or the making of any other distributions in respect of, any of its membership units or other equity interests in NCM LLC, as the case may be, payable in cash, stock, property or otherwise, or any reorganization or recapitalization or split, combination or reclassification or similar transaction of any of its units, limited liability company interests or capital stock, as the case may be;

amending any provision of the restated operating agreement to authorize, or to issue, any additional membership units or classes of units or other equity interests and the designations, preferences and relative, participating or other rights, powers or duties thereof;

hiring or terminating the employment of the chief executive officer, chief financial officer, chief technology officer or chief sales and marketing officer of NCM LLC, or the entering into, amendment or termination of any employment, severance, change of control or other contract with any employee who has a written employment agreement with NCM LLC;

changing the purposes of NCM LLC, or the provision by NCM LLC of any services beyond the scope of the services defined in the ESAs, or services outside of the United States or Canada;

entering into any agreement with respect to or the taking of any material steps to facilitate a transaction that constitutes a change of control of NCM LLC or a proposal for such a transaction;

leasing (as lessor), licensing (as licensor) or other transfer of assets (including securities) (x) having a fair market value or for consideration exceeding \$10 million (subject to annual adjustment based on the Consumer Price Index), taken as a whole, or (y) to which the revenue or the profits attributable exceed \$10 million (subject to annual adjustment based on the Consumer Price Index), taken as a whole, in any one transaction or series of related transactions, in each case, determined using the most recent quarterly consolidated financial statement of NCM LLC;

entering into any agreement with respect to or consummating any acquisition of any business or assets having a fair market value in excess of \$10 million (subject to annual adjustment based on the Consumer Price Index) taken as a whole, in any one transaction or series of related transactions, whether by purchase and sale, merger, consolidation, restructuring, recapitalization or otherwise;

settling claims or suits in which NCM LLC is a party for an amount that exceeds the relevant provision in the budget by more than \$1 million (subject to annual adjustment based on the Consumer Price Index) or where equitable or injunctive relief is included as part of such settlement;

entering into, modifying or terminating any material contract or transaction or series of related transactions (including by way of barter) between (x) NCM LLC or any of its subsidiaries and (y) any member or any affiliate of any member or any person in which any founding member has taken, or is negotiating to take, a material financial interest, in each case, other than relating to the purchase or sale of products or services in the ordinary course of business of NCM LLC;

## Edgar Filing: National CineMedia, Inc. - Form DEF 14A

entering into any agreement for NCM LLC to provide to any new member or affiliate of any new member any services similar to those set forth in the ESAs described above, or admitting to NCM LLC any new member;

entering into, modifying or terminating any agreement for NCM LLC to provide any services to any person (other than a member or affiliate of a member) that requires capital expenditures or guaranteed payments in excess of \$1 million annually (subject to annual adjustment based on the Consumer Price Index);



## **Table of Contents**

dissolution of NCM LLC; the adoption of a plan of liquidation of NCM LLC; any action by NCM LLC to commence any suit, case, proceeding or other action (i) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors seeking to have an order for relief entered with respect to NCM LLC, or seeking to adjudicate NCM LLC as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to NCM LLC, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for NCM LLC, or for all or any material portion of the assets of NCM LLC, or making a general assignment for the benefit of the creditors of NCM LLC;

approving any significant tax matters;

valuation determinations to be made under the restated operating agreement;

amending or changing certain provisions of the restated operating agreement; and

any expenditure by NCM LLC to replace, upgrade or modify any equipment or software owned by any of the founding members or their affiliates.

For purposes of calculating the 5% ownership thresholds discussed above, shares of our common stock held by a founding member and received upon redemption of NCM LLC common membership units will be counted toward the threshold, but common membership units issued to us in connection with the redemption of common membership units by a founding member will be excluded, so long as such founding member continues to hold the common stock acquired through such redemption or such founding member has disposed of such shares of common stock to another founding member. Shares of our common stock otherwise acquired by the founding members will also be excluded, unless such shares of common stock were transferred by one founding member to another and were originally received by the transferring founding member upon redemption of NCM LLC common membership units. NCM LLC common membership units held by permitted transferees of a founding member will be combined with units held by the founding member for purposes of determining whether the 5% threshold has been met, and the founding member and its permitted transferees may exercise their designation rights jointly. Permitted transferees include affiliates of the founding member and entities that are owned more than 50% by the same entity or entities that ultimately control the founding member.

**Compensation.** We are not entitled to compensation for our services as manager except as provided in the Management Services Agreement described under Transactions with NCM LLC Management Services Agreement below, or as otherwise approved by a vote of the members holding a majority of the outstanding common membership units plus each founding member. We are entitled to reimbursement by NCM LLC for our reasonable out-of-pocket expenses incurred by us on its behalf.

**Distributions.** The restated operating agreement provides for mandatory distributions to members of all Available Cash, as defined in the restated operating agreement. Available Cash does not include amounts drawn or paid under NCM LLC's working capital line of credit. The mandatory distributions must occur quarterly. In 2012, available cash distributions totaled \$151.9 million. Of that amount, the portion payable to NCM, Inc., AMC, Cinemark and Regal totaled \$72.7 million, \$23.1 million, \$24.2 million and \$29.5 million, respectively.

**Transfer Restrictions.** The restated operating agreement generally permits transfers of membership units of NCM LLC, subject to limited exceptions. Any transferee of membership units must assume, by operation of law or written agreement, all of the obligations of the transferring member with respect to the transferred units, even if the transferee is not admitted as a member of NCM LLC. In the event of a transfer of membership units by a founding member, the transferee shall not have the rights and powers of a founding member (such as the right to designate directors for nomination), unless the transferee is an entity that is affiliated with the founding member or that is controlled by certain owners of the founding member.

**Common Unit Redemption Right.** The restated operating agreement provides a redemption right of the members to exchange common membership units of NCM LLC for our shares of common stock on a one-for-one basis (as adjusted to account for stock splits, recapitalization or similar events), or at our option, a cash payment

## **Table of Contents**

equal to the market price of one share of our common stock. If we determine to make a cash payment, the member has the option to rescind its redemption request within a specified time period. In the event of a determination to make a cash payment, we are obligated to sell to a third party a number of shares equal to the number of redeemed units, to ensure that the number of NCM LLC common units we own equals the number of our outstanding shares of common stock. Upon the exercise of the redemption right, the redeeming member will surrender common units to NCM LLC for cancellation. Pursuant to our amended and restated certificate of incorporation, we will then contribute cash or shares of our common stock to NCM LLC in exchange for an amount of newly issued common units equal to the number of units surrendered by the redeeming member. NCM LLC will then distribute the cash or shares of common stock to the redeeming member to complete the redemption.

During the third quarter of 2010, AMC and Regal exercised the redemption right of an aggregate 10,955,471 common membership units, whereby AMC and Regal surrendered 6,655,193 and 4,300,278 common membership units to NCM LLC for cancellation, respectively. The Company contributed an aggregate 10,955,471 shares of its common stock to NCM LLC in exchange for a like number of newly issued common membership units. NCM LLC then distributed the shares of common stock to AMC and Regal to complete the redemptions. Such redemptions took place immediately prior to the closing of the underwritten public offering and the subsequent closing of the overallotment option; in each case the NCM, Inc. common stock was sold at a price to the public of \$16.00 per share by AMC and Regal. The Company did not receive any proceeds from the sale of its common stock by AMC and Regal.

**Issuance of Units upon Exercise of Options or Vesting of Other Equity Compensation.** Upon the exercise of options we have issued or the vesting of shares for other types of equity compensation (such as issuance of restricted or non-restricted stock, payment of bonuses in stock or settlement of stock appreciation rights in stock), we will have the right to acquire from NCM LLC a number of common units equal to the number of our shares being issued in connection with the exercise of options or vesting of shares for other types of equity compensation. In consideration for such units, we will contribute to NCM LLC the consideration we received for the exercise of options or vesting of shares for other types of equity compensation. In 2012, we acquired 551,654 units due to vesting of restricted stock and exercise of options and contributed \$2.3 million to NCM LLC.

**Dissolution.** The restated operating agreement provides that the unanimous consent of all members holding common units will be required to voluntarily dissolve NCM LLC. In addition to a voluntary dissolution, NCM LLC will be dissolved upon the entry of a decree of judicial dissolution in accordance with Delaware law or the termination of the legal existence of the last remaining member. Upon a dissolution event, the proceeds of liquidation will be distributed in the following order:

first, to pay the expenses of winding up and dissolving NCM LLC and debts and liabilities owed to creditors of NCM LLC, other than members;

second, to pay debts and liabilities owed to members; and

third, to the members pro rata in accordance with their percentage interests.

**Confidentiality.** Each member agrees to maintain the confidentiality of NCM LLC's intellectual property and other confidential information for a period of three years following the earlier of (i) date of dissolution of NCM LLC or (ii) the date such member ceases to be a member. This obligation covers information provided to NCM LLC by the members and their affiliates, and excludes disclosures required by law or judicial process.

**Amendment.** The restated operating agreement may be amended by a vote of the members holding a majority of the outstanding common membership units plus each founding member. Amendments to specified provisions require the additional consent of us as manager. No amendment that would materially impair the voting power or economic rights of any outstanding common units in relation to any other outstanding class of units may be made without the consent of a majority of the affected units. No amendment that would materially impair the voting power or economic rights of any member in relation to the other members may be made without the consent of the affected member.

## **Table of Contents**

**Indemnification.** The restated operating agreement provides that NCM LLC will indemnify its managers, members and officers against liabilities that arise in connection with the business of NCM LLC and any activities of any managers, members and officers involving actions taken on behalf of NCM LLC, provided that the indemnification will not apply to acts of gross negligence or willful misconduct or a breach of any agreement between the indemnitee and NCM LLC.

**Business Opportunities.** The restated operating agreement also provides that, except as provided in the ESAs and as otherwise provided in the restated operating agreement, each member and its affiliates may have other business interests and may engage in any other businesses of any kind, including businesses that compete with our business and purpose.

### ***Common Unit Adjustment Agreement***

On February 12, 2007, NCM, Inc., NCM LLC, AMC, Cinemark, and Regal agreed upon the final terms of a common unit adjustment agreement. The common unit adjustment agreement was executed by the parties effective February 13, 2007.

The common unit adjustment agreement provides a mechanism for adjusting membership units held by the founding members, based on increases or decreases in the number of screens operated by each founding member. Increases in the number of screens are included in the unit adjustment if arising from acquisition of a theatre or opening of a newly constructed theatre, except that acquired theatres subject to an agreement with an alternative cinema advertising provider will not be included until certain run out payments are made to NCM LLC by the founding member acquiring the theatre pursuant to its ESA or until such third party cinema advertising agreement expires and the theatre is added to NCM's network. Decreases in the number of screens are included in the unit adjustment if arising from disposition of a theatre, unless the purchaser or sublessee enters into an agreement with NCM LLC similar to the ESA, the theatre is closed at the end of its lease term or a non-digitized theatre is closed within three years of the end of its lease term.

The adjustment of membership units pursuant to the common unit adjustment agreement is to be conducted annually, except that an earlier adjustment will occur for a founding member if its acquisition or disposition of theatres, in a single transaction or cumulatively since the most recent adjustment, will cause a change of two percent or more in the total annual attendance of all founding members. The adjustment is generally calculated by multiplying a founding member's change in annual attendance from any acquisitions and dispositions during the relevant period by NCM LLC's enterprise value per attendee (as defined in the common unit adjustment agreement), and dividing this product by the sixty-day volume-weighted share price of our common stock. The changes in annual attendance will be calculated based on attendance at the relevant theatres during the prior twelve fiscal months; however, if an acquired theatre has not been operating during the twelve prior fiscal months, the change in annual attendance will be calculated based on 75% of the projected annual attendance for such theatre, with a subsequent adjustment made for any difference between 75% of the projected attendance and the actual attendance during the first twelve months of operation. Additionally, in the calculations for adjustment upon acquisition or disposition, only one-half of the attendance will be counted for theatres that are not digitized. If an acquired theatre that is not digitized is subsequently converted to a digitized theatre, the founding member will then be credited with half of that theatre's attendance.

On April 30, 2008, pursuant to the provisions of the common unit adjustment agreement, NCM LLC issued 2,913,754 common membership units to Regal in connection with the closing of its acquisition of Consolidated Theatres, as the acquisition resulted in an extraordinary attendance increase as defined in the common unit adjustment agreement. Neither NCM, Inc. nor NCM LLC received any cash consideration in exchange for the issuance of the units. The number of units issued assumed that NCM LLC would have immediate access to the Consolidated Theatres for sales of advertising. However, Consolidated Theatres had a pre-existing advertising agreement with another cinema advertising provider. Accordingly, pursuant to terms of the ESA, Regal paid to NCM LLC through the second quarter of 2011 the amount calculated per the common unit adjustment agreement

## **Table of Contents**

to reflect the net amount of cash that NCM LLC would have generated if NCM LLC was able to sell on-screen advertising in the Consolidated Theatres on an exclusive basis. Regal did not make integration payments to NCM LLC in 2012.

On March 29, 2012, NCM LLC issued 598,724 common membership units to Cinemark, and 52,888 common membership units to Regal for the 2011 fiscal year common unit agreement adjustment. NCM LLC received a cash payment of \$21,804 from AMC in lieu of surrendering 16,727 whole units and one partial unit. Neither NCM, Inc. nor NCM LLC received any cash consideration in exchange for the issuance of the units.

Theatre and attendance information is being provided to us by our founding members and we expect the calculation for our 2012 fiscal year common unit adjustment to be completed pursuant to the provisions in the common unit adjustment agreement in the first quarter of 2013.

### ***Tax Receivable Agreement***

On February 12, 2007, NCM, Inc., NCM LLC, AMC, Cinemark, and Regal agreed upon the final terms of the tax receivable agreement. The tax receivable agreement was executed by the parties effective February 13, 2007.

The tax receivable agreement provides for the effective payment by us to the founding members of 90% of the amount of cash savings, if any, in U.S. federal, state, and local income tax or franchise tax that we actually realized as a result of certain increases in our proportionate share of tax basis in NCM LLC's tangible and intangible assets resulting from our IPO and related transactions, including increases attributable to payments made under the tax receivable agreement. These tax benefit payments are not conditioned upon one or more of the founding members maintaining a continued ownership interest in either NCM LLC or NCM, Inc. We expect to benefit from the remaining 10% of cash savings, if any, that we may actually realize.

For purposes of the tax receivable agreement, cash savings in income and franchise tax will be computed by comparing our actual income and franchise tax liability to the amount of such taxes that we would have been required to pay had there been no increase in our proportionate share of tax basis in NCM LLC's tangible and intangible assets and had the tax receivable agreement not been entered into. The tax receivable agreement shall generally apply to our taxable years up to and including the 30<sup>th</sup> anniversary date of our IPO. The term of the tax receivable agreement will continue until any utilized benefits are no longer subject to potential audit or examination by a taxing authority. The term of the tax receivable agreement may, however, be terminated at an earlier date in the event that we exercise our right to terminate the agreement pursuant to an early termination procedure that requires us to pay the founding members an agreed upon amount equal to the present value of the estimated remaining payments to be made under the agreement.

Although the actual timing and amount of any payments that may be made under the tax receivable agreement will vary depending upon a number of factors (including the timing of any redemptions of common membership units in NCM LLC by our founding members, the extent to which such redemptions are taxable, the trading price of shares of our common stock at the time of any such redemptions, and the amount and timing of our income), we expect the payments that we may effectively make to the founding members could be substantial. If the Internal Revenue Service or other taxing authority were to subsequently challenge any of our cash savings covered by the tax receivable agreement, and if such challenge were ultimately upheld, the terms of the tax receivable agreement require the founding members to repay to us an amount equal to the prior payments effectively made by us in respect of such disallowed cash savings, plus a proportionate share of any applicable interest and penalties. In such an event, and if a founding member is unable to make a timely repayment to us under the terms of the tax receivable agreement, we will have the ability to cause NCM LLC to offset against payments owed to the founding member. The repayment obligation is a several liability of each founding member and not a joint liability among the founding members.

## **Table of Contents**

If we receive a formal notice or assessment from a taxing authority with respect to any cash savings covered by the tax receivable agreement, we will place any subsequent tax benefit payments that would otherwise be made to the founding members into an interest-bearing escrow account until there is a final determination. We shall have full responsibility for and sole discretion over, all our tax matters, including the filing and amendment of all tax returns and claims for refunds and the defense of all tax contests, subject to certain participation and approval rights held by the founding members. If one or more of the founding members was insolvent or bankrupt or otherwise unable to make payment under its repayment obligation, then our financial condition could be materially impaired.

On April 29, 2008, NCM entered into a Second Amendment to Tax Receivable Agreement ( *Second Amendment to TRA* ). The Second Amendment to TRA provides that NCM, Inc. may at any time and at its option, make one or more estimated payments to each of the Founding Members or ESA Parties in respect of any anticipated payments required under the Tax Receivable Agreement. Any estimated payments made under the terms of the Second Amendment to TRA are subject to adjustment pending a final determination of the actual payments required under the Tax Receivable Agreement.

At December 27, 2012, we recorded a long-term payable to our founding members under the tax sharing agreement of \$137.5 million, of which the Company expects to make an additional \$5.8 million payment for the 2010 taxable year, \$2.2 million for the 2011 taxable year and 10.4 million for the 2012 taxable year. In 2012, pursuant to the terms of the tax receivable agreement, we made estimated payments of \$5.8 million to AMC, \$3.9 million to Cinemark and \$8.5 million to Regal, respectively for the 2010 and 2011 taxable years.

### ***Software License Agreement***

On February 12, 2007, NCM LLC, AMC, Cinemark, Regal CineMedia Corporation ( *RCM* ) and Digital Cinema Implementation Partners, LLC ( *DCIP* ), a company jointly owned by the founding members, agreed upon the final terms of the Second Amended and Restated Software License Agreement (the *license agreement* ). The license agreement was executed by the parties effective February 13, 2007. Certain basic terms of the license agreement are discussed below:

**License to NCM LLC.** Pursuant to the license agreement, AMC and RCM grant NCM LLC a perpetual, royalty free license to the technology specified in the license agreement, for use in the United States with respect to the services provided under the ESAs. Subject to certain exceptions, the license to NCM LLC is exclusive with respect to the services provided under the ESAs. NCM LLC may sublicense the object code of the licensed technology to exhibitors of the services (as specified in the ESAs), to the extent necessary for those exhibitors to receive the services. RCM and AMC also grant NCM LLC a perpetual, royalty free license to the source code of the licensed technology for use in the United States. NCM LLC must keep the source code of the technology confidential. The founding members and DCIP each grant to NCM LLC, subject to certain limitations, a perpetual, royalty free license to any existing and future developments of such party based on the licensed technology that has application to the services provided under the ESAs.

**License by NCM LLC.** NCM LLC grants the founding members, subject to certain limitations, a perpetual, worldwide, royalty free license to any NCM LLC developments that existed at the IPO date based on licensed technology, for the founding members' purposes outside of the services that are defined in the ESAs (but not including digital cinema applications). NCM LLC also grants DCIP founding members, through a new digital cinema joint venture, subject to certain limitations, a perpetual, worldwide, royalty free license to any existing and future NCM LLC developments that may have digital cinema applications.

**Ownership.** Subject to certain exceptions, NCM LLC retains ownership of any of its developments based on the licensed technology. Subject to the rights granted to NCM LLC under the license agreement, each founding member retains ownership of the licensed technology of that founding member and any of its developments based on the licensed technology. Subject to the rights granted to NCM LLC under the license agreement, DCIP retains ownership of its developments based on the licensed technology.

## **Table of Contents**

**Exhibitor Services Agreement Termination by Founding Members.** Under the license agreement, subject to certain exceptions, if an ESA with NCM LLC is terminated, that founding member will continue to have the right to use the licensed technology for the purposes specified in the license agreement, which does not include the right to use any development after the IPO date for the advertising or other services set forth in the ESA provided by NCM LLC.

**Non-Competition.** Through the term of the license agreement and notwithstanding the termination of any founding member's ESA:

NCM LLC has agreed not to, directly or indirectly, as an owner, shareholder, joint venturer, advisor, consultant or otherwise, engage in any activity that competes with or is enhanced by DCIP's business or activities relating to digital cinema without the prior written consent of DCIP, which DCIP may withhold in its absolute discretion, and

DCIP has agreed not to, directly or indirectly, as an owner, shareholder, joint venturer, advisor, consultant or otherwise, engage in any activity that competes with or is enhanced by NCM LLC's business or activities relating to the services defined in the ESAs without the prior written consent of NCM LLC, which NCM LLC may withhold in its absolute discretion.

### ***Director Designation Agreement***

On February 12, 2007, NCM, Inc., AMC, Cinemark and Regal agreed upon the final terms of the director designation agreement. The director designation agreement was executed by the parties effective February 13, 2007.

**Designation Rights.** Pursuant to a director designation agreement, so long as a founding member owns at least 5% of NCM LLC's issued and outstanding common membership units, such founding member has the right to designate a total of two nominees to our ten-member board of directors who are voted upon by our stockholders. If, at any time, any founding member owns less than 5% of NCM LLC's then issued and outstanding common membership units, then such founding member shall cease to have any rights of designation. The remaining directors will be selected for nomination by our nominating and governance committee. For purposes of calculating the 5% ownership thresholds discussed above, shares of our common stock held by a founding member and received upon redemption of NCM LLC common membership units are counted toward the threshold, but common membership units issued to NCM, Inc. in connection with the redemption of common membership units by a founding member are excluded, so long as such founding member continues to hold the common stock acquired through such redemption or such founding member has disposed of such shares of common stock to another founding member. Shares of our common stock otherwise acquired by the founding members will also be excluded, unless such shares of common stock were transferred by one founding member to another and were originally received by the transferring founding member upon redemption of NCM LLC common membership units. NCM LLC common membership units held by permitted transferees of a founding member will be combined with units held by the founding member for purposes of determining whether the 5% threshold has been met, and the founding member and its permitted transferees may exercise their designation rights jointly. Permitted transferees include affiliates of the founding member and entities that are owned more than 50% by the same entity or entities that ultimately control the founding member.

**Independent Directors.** The director designation agreement further provides that for so long as any founding member has the right to designate the director designees, at least one of the designees of such founding member must qualify as an independent director at the time of designation so that a majority of the members of the board are independent directors. An independent director under the director designation agreement is a director who qualifies as an independent director under the Nasdaq rules.

**Company Obligations.** We have agreed to use our best efforts to assure that each director designee is included in the board's slate of nominees submitted to our stockholders for election of directors and in the proxy statement prepared by management in connection with soliciting proxies for every meeting of our stockholders

## **Table of Contents**

called with respect to the election of members of the board. We shall not be obligated to cause to be nominated for election to the board or recommend to our stockholders the election of any director designee (i) who fails to submit to us on a timely basis such questionnaires as we may reasonably require of our directors generally and such other information as we may reasonably request in connection with preparation of our filings under securities laws or (ii) if the board of directors or nominating committee determines in good faith, after consultation with outside legal counsel, that such action would result in a breach of the directors' fiduciary duties or applicable law. In the event such determination is made, the founding members shall be notified and given the opportunity to provide an alternative director designee.

At any time a vacancy occurs because of the death, disability, resignation or removal of a director designee, then the board, or any committee thereof, will not vote, fill such vacancy or take any action subject to supermajority board approval under our amended and restated certificate of incorporation until such time that (i) such founding member has designated a successor director designee and the board has filled the vacancy and appointed such successor director designee, (ii) such founding member fails to designate a successor director designee within 10 business days of such vacancy, or (iii) such founding member has specifically waived its rights to designate a successor director designee under the director designation agreement and has consented to the board, or any committee thereof, taking a vote on such enumerated actions prior to the board filling the vacancy with a successor director designee.

At any time that any founding member shall have any rights of designation under the director designation agreement, we will not take any action to change the size of our board from ten.

**Assignment; Amendment.** The right of each founding member to designate nominees for election to our board of directors is personal and may not be assigned except upon the prior written consent of the other parties to the director designation agreement. No prior written consent shall be required for an assignment by any founding member to an affiliate who acquires common membership units and becomes a party to the director designation agreement. Such assignee's rights will cease at such time as it ceases to be an affiliate of a founding member. The director designation agreement may not be amended except with the written consent of each of the parties to the agreement.

### ***Registration Rights Agreement***

On February 12, 2007, NCM, Inc., AMC, Cinemark and Regal agreed upon the final terms of the registration rights agreement. The registration rights agreement was executed by the parties effective February 13, 2007.

The registration rights agreement requires us to use our reasonable efforts to file a registration statement on the first business day after the one-year anniversary of the closing of our IPO to register all registrable securities held by the founding members that are not already registered, if necessary, and to file resale registration statements after that time for any additional registrable securities that we issue to any founding member in the future, within 20 days after such issuance. Additionally, we must use reasonable best efforts to maintain effectiveness of these mandatory registration statements until the earlier of the time when the founding members have disposed of all their registrable securities and the time when all registrable securities held by the founding members are eligible for resale under specified securities regulations. We are responsible for the expenses in connection with the registration of securities pursuant to the registration rights agreement.

We filed a Form S-3 automatic shelf registration statement covering 56,879,964 shares on August 4, 2011, which was declared effective immediately. On September 20, 2012, we filed a post-effective amendment to the registration statement covering 651,612 additional shares, which was declared effective immediately.

### ***Joint Defense Agreement***

AMC and Regal, among others, entered into a joint defense and common interest agreement, dated August 16, 2004, which was supplemented by a joint defense and common interest agreement, dated July 13,

## **Table of Contents**

2005, by and among counsel for AMC, Regal and Cinemark. The joint defense agreement sets forth the terms and conditions under which the parties will cooperate and share information in order to advance their shared interests in owning and operating NCM LLC. In connection with the completion of the IPO, counsel for NCM LLC and the founding members executed an amendment to the joint defense agreement, whereby NCM LLC was added as a party, and the IPO was added to the range of transactions covered by the agreement.

### ***Agreements with Founding Members Services***

In 2011, NCM agreed to provide to Cinemark data line fail-over services through our network. NCM received payment of approximately \$35,000 from Cinemark for these services, which was consistent with the cost of services had they been provided by a third party. In 2011, NCM paid Regal approximately \$44,000 for costs associated with the waste for lobby promotions sold by NCM on concession containers that were unused and thrown away. In 2011, we received an insignificant amount from AMC for administration of internet advertisements. In 2012, AMC, Cinemark and Regal purchased \$0.2 million of NCM LLC's advertising inventory for their own use. In addition, NCM LLC paid \$1.5 million to AMC, Cinemark and Regal for the purchases of movie tickets and concession products primarily for marketing to NCM LLC's advertising clients and marketing resale to Fathom Business customers.

### **Other Transactions**

#### ***Agreements with The Anschutz Corporation***

NCM LLC has an informal agreement with The Anschutz Corporation to use, on occasion, private aircraft owned by The Anschutz Corporation. The private aircraft are used to travel to cities where regularly scheduled flights require significant time or expense or when several NCM employees or directors are travelling together. The aircraft are leased at rates that are at or below per hour market rates.

The Anschutz Corporation is a wholly-owned subsidiary of the Anschutz Company. The Anschutz Company is the controlling stockholder of Regal Entertainment Group. For the year ended December 27, 2012, the aggregate amount paid to The Anschutz Corporation for use of the aircraft was approximately \$62,000.

#### ***Agreement with LA Live***

During 2009, NCM LLC entered into a digital content agreement and a Fathom agreement with LA Live Cinemas LLC, an affiliate of The Anschutz Corporation, for NCM LLC to provide in-theatre advertising and Fathom Events to LA Live in its theatre complex. The affiliate agreement was entered into at terms that are similar to those of our other network affiliates. In 2012, we incurred advertising operating costs of \$0.3 million for payments made to LA Live Cinemas LLC under the agreement.

#### ***Agreement with AEG Live***

NCM LLC has an informal relationship with AEG Live, an affiliate of The Anschutz Corporation, for AEG Live to provide music content for exhibition in theatres through NCM's Fathom business. During 2012, we paid AEG Live approximately \$0.2 million for the content it provided for a Fathom Consumer event. In addition, we received approximately \$27,000 from AEG Live for regional advertising we provided during 2012.

#### ***Agreement with Starplex***

During 2009, NCM LLC entered into a network affiliate agreement with Starplex Operating L.P. ( "Starplex" ), which is owned by Lee Roy Mitchell, a director of NCM, Inc. and Chairman and owner of 10.0% of Cinemark as of March 24, 2011, for NCM LLC to provide in-theatre advertising services and Fathom Events to Starplex in its theatre locations. The affiliate agreement was entered into at terms that are similar to those of our other network affiliates. In 2012, we incurred advertising operating costs of \$3.2 million for payments made to the affiliate under the agreement.



## **Table of Contents**

### ***Agreement with ShowPlex Cinemas, Inc.***

During 2011, NCM LLC entered into a network affiliate agreement with ShowPlex Cinemas, Inc. ( ShowPlex ), for NCM LLC to provide in-theatre advertising services and Fathom Events to ShowPlex in its theatre locations. The affiliate agreement was entered into at terms that are similar to those of our other network affiliates. ShowPlex is affiliated with Hunt Capital Group LLC, of which James R. Holland, Jr., an independent director, is President and Chief Executive Officer. In 2012, we incurred advertising operating costs of \$0.4 million for payments made to the affiliate under the agreement.

### ***Agreement with Digital Cinema Integration Partners***

On August 2, 2010, NCM LLC entered into an agreement with Digital Cinema Integration Partners ( DCIP ), a joint venture owned by the founding members. This agreement provides for the payment of a fee to DCIP whenever the digital cinema equipment is used to exhibit a Fathom event. Such fee per event showing during non-prime times (as defined in the agreements) and showing during prime times is a standard fee that is charged to all alternative content owners (including the major studios) who display their programming on the digital cinema projectors. During 2012, we paid DCIP approximately \$1.1 million under this agreement.

### **Transactions with NCM LLC**

#### ***Management Services Agreement***

On February 13, 2007, NCM, Inc. and NCM LLC executed the management services agreement pursuant to which we have agreed to provide certain specific management services to NCM LLC, including those services typically provided by the individuals serving in the positions of president and chief executive officer, president of sales, executive vice president and chief financial officer, executive vice president and chief technology and operations officer and executive vice president and general counsel. In exchange for the services, NCM LLC reimburses us for compensation and other expenses of our officers and employees and for certain out-of-pocket costs. NCM LLC provides administrative and support services to us, such as office facilities, equipment, supplies, payroll and accounting and financial reporting. The management services agreement also provides that our employees may participate in NCM LLC's benefit plans, and that NCM LLC employees may participate in the National CineMedia, Inc. 2007 Equity Incentive Plan. NCM LLC indemnifies us for any losses arising from our performance under the management services agreement, except that we indemnify NCM LLC for any losses caused by our willful misconduct or gross negligence. Pursuant to this agreement, NCM LLC paid us approximately \$12.1 million during the year ended December 27, 2012.

### **Review, Approval or Ratification of Transactions with Related Persons**

Since the completion of our IPO in February 2007, our written Statement Of Policy With Respect To Related Party Transactions has required that transactions between us and a Related Person (as defined in the policy) where the aggregate amount involved will or may be expected to exceed \$500,000 be approved by our Audit Committee with any related party transactions below \$500,000 disclosed to our Audit Committee, which is comprised of independent members of our board of directors, in accordance with the guidance in the policy and if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party. Our Audit Committee charter authorizes the audit committee to hire financial advisors and other professionals to assist the committee in evaluating and approving any transaction between us and any related party, including our founding members.

The following transactions are exempt from this policy:

- (1) transactions where the Related Person's interest arises solely from ownership of our common stock and all holders of our common stock receive proportional benefits;
- (2) any compensation paid to a director if the compensation is required to be reported in our proxy statement under Item 402 of Regulation S-K and the compensation has been approved by the Nominating and Governance Committee; and

**Table of Contents**

- (3) any employment by us of an executive officer if the related compensation is required to be reported in our proxy statement under Item 402 of Regulation S-K and the compensation has been approved by the Compensation Committee.

The policy provides for pre-approval of a particular category of related party transactions, provided that:

- (a) a proposed pre-approved transaction or series of related transactions would be in the ordinary course of business of NCM, Inc. or NCM LLC, as applicable, and would not require (i) payments to one or more related parties during any fiscal year in excess of \$500,000, or (ii) receipt of payments during any fiscal year from one or more related parties in excess of \$500,000, or (iii) the receipt or transfer of any tangible or intangible property, other than cash, having a fair market value in excess of \$500,000; and
- (b) the terms and conditions of any such transaction or series of related transactions are fair and reasonable to NCM, Inc. or NCM, LLC, as applicable, as determined by NCM, Inc.'s Chief Executive Officer and Chief Financial Officer, in the exercise of their reasonable discretion.

In such cases, the Chief Executive Officer and Chief Financial Officer may authorize, on behalf of the Audit Committee, the entering into of such transaction or series of transactions by NCM, Inc. or NCM, LLC, as applicable. However, a listing of such approved transactions must be provided to the Audit Committee on a periodic basis.

## **Table of Contents**

### **CORPORATE CODE OF CONDUCT**

We have adopted a Corporate Code of Conduct that applies to our directors, executive officers and all of our employees. We will provide any person, without charge and upon request, with a copy of our Corporate Code of Conduct. Requests should be directed to us at 9110 E. Nichols Ave., Suite 200, Centennial, Colorado 80112-3405, Attention: Secretary. The Corporate Code of Conduct is also available on our website at *ncm.com* at the Investor Relation link. The information on our website is not incorporated into this proxy statement.

We will disclose any amendments to or waivers of the Corporate Code of Conduct on our website at *NCM.com*. We have established a confidential hotline and website to answer employees' questions related to the Corporate Code of Conduct and to report any concerns regarding accounting, internal accounting controls or auditing matters. Our Audit Committee also has established procedures to receive, retain and treat complaints regarding accounting, internal accounting controls or auditing matters, and to allow for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters.

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than ten percent of our common stock, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. As a matter of practice, we assist many of our directors and all of our executive officers by preparing initial ownership reports and reporting ownership changes, and typically file these reports on their behalf. To our knowledge, based solely on our review of the copies of such forms received by us, we believe that all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners have been complied with for the fiscal year ended December 27, 2012, except that Clifford E. Marks reported one stock sale two days late.

### **HOUSEHOLDING**

As permitted by applicable law, we intend to deliver only one copy of certain of our documents, including Notice of Internet Availability of Proxy Materials, proxy statements, annual reports and information statements to stockholders residing at the same address, unless such stockholders have notified us of their desire to receive multiple copies thereof. Any such request should be directed to National CineMedia, Inc., 9110 E. Nichols Ave., Suite 200, Centennial, Colorado 80112-3405, Attention: Investor Relations, or by telephone at (303) 792-3600 or (800) 844-0935. Upon request, we will promptly deliver a separate copy. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request householding of their communications should contact their broker.

### **PROPOSALS OF STOCKHOLDERS**

Stockholders wishing to include proposals in the proxy material in relation to the annual meeting in 2014 must submit the proposals in writing so as to be received by the Secretary at our executive offices, no later than the close of business on November 20, 2013. Such proposals must also meet the other requirements of the rules of the SEC relating to stockholders' proposals and the provisions of our Certificate of Incorporation. If we are not notified of intent to present a proposal at our 2014 annual meeting between January 1 and January 31, 2014, we will have the right to exercise discretionary voting authority with respect to such proposal, if presented at the meeting, without including information regarding such proposal in our proxy materials.

**Table of Contents**

**OTHER BUSINESS**

We do not anticipate that any other matters will be brought before the Annual Meeting. However, if any additional matters shall properly come before the meeting, it is intended that the persons authorized under proxies may, in the absence of instructions to the contrary, vote or act thereon in accordance with their best judgment.

BY THE BOARD OF DIRECTORS

Ralph E. Hardy

Executive Vice President, General Counsel and

Secretary

Centennial, Colorado

March 20, 2013

**Table of Contents**

**APPENDIX A**

**NATIONAL CINEMEDIA, INC.**

**EXECUTIVE PERFORMANCE BONUS PLAN**

**1. PURPOSE**

The purpose of the National CineMedia, Inc. Executive Performance Bonus Plan is to create a financial incentive for executives to achieve targeted levels of corporate, financial and strategic performance. The Plan is intended to permit the payment of amounts that qualify as performance-based compensation within the meaning of Section 162(m) of the Code.

**2. DEFINITIONS**

The following words as used in this Plan shall have the meanings ascribed to them below:

2.1 **Affiliate** means any corporation or other entity controlled by the Company, including without limitation, any subsidiary of the Company.

2.2 **Base Salary** means as to any Performance Period, 100% of the Participant's annual rate of base salary on the last day of the Performance Period.

2.3 **Board** means the Board of Directors of National CineMedia, Inc.

2.4 **Code** means the Internal Revenue Code of 1986, as amended, and the regulations, interpretations, and administrative guidance issued thereunder.

2.5 **Committee** means the Compensation Committee or other Committee of the Board appointed by the Board in Section 7.1 to administer the Plan.

2.6 **Company** means National CineMedia, Inc., a Delaware corporation.

2.7 **Cost Initiatives** means the objective measures approved by the Committee that relate to capital expenditures and/or operating expenditures.

2.8 **Determination Date** means the latest possible date in which the Committee must pre-establish a Performance Goal for the compensation to qualify as performance-based compensation under Section 162(m) of the Code. Generally, no later than the earlier of (a) 90 days after the beginning of the Performance Period and (b) the first 25% of the portion of the Performance Period; *provided, however*, that the outcome is substantially uncertain at the time the Committee establishes the Performance Goal or any other time as may be required for the compensation to qualify as performance-based compensation under Section 162(m) of the Code.

2.9 **Disabled** or **Disability** means a permanent and total disability determined in accordance with standards adopted by the Committee from time to time.

2.10 **Market Share** means the objective measures approved by the Committee to determine the percentage of a market share or market segment with respect to one or more products or services.

2.11 **Maximum Award** means as to any Participant who is a covered employee for purposes of Section 162(m) of the Code, the amount set forth in Section 4.1.

2.12 **Operating Income** means the objective measures approved by the Committee that relate to operating income, including, but not limited to operating income before depreciation and amortization (OIBDA); earnings before interest and taxes (EBIT); and earnings before interest, taxes, depreciation and amortization (EBITDA).

A-1

## **Table of Contents**

2.13 **Participant** means each executive officer or other key employee of the Company or any Affiliate whom the Committee designates as a participant in the Plan for that Performance Period.

2.14 **Performance Bonus Award** means the actual amount, if any, payable under the Plan to a Participant for a Performance Period.

2.15 **Performance Goals** means the goals determined by the Committee in accordance with Sections 4.2 and 4.3, to be applicable to a Participant for that Performance Period.

2.16 **Performance Period** means the Year or Years (or portions thereof), as determined by the Committee, with respect to which the Performance Goals are set.

2.17 **Plan** means this National CineMedia, Inc. Executive Performance Bonus Plan.

2.18 **Return on Capital** means net income divided by invested capital.

2.19 **Return on Equity** means net income divided by average stockholder equity. Average stockholder equity means the sum of stockholder equity at the beginning of the Performance Period and stockholder equity at the end of the Performance Period, with such sum divided by two.

2.20 **Target Award** means the target award opportunity payable under the Plan to a Participant for the Performance Period, expressed as a percentage of his or her Base Salary, a dollar amount, or a result of a formula or formulas, as determined by the Committee.

2.21 **Year** means each fiscal year of the Company, as set forth in the Company's books and records.

### **3. PARTICIPATION**

On or prior to the Determination Date for the Performance Period, the Committee will select the executives of the Company (and its Affiliates) who will be Participants for the Performance Period. The Committee may also designate as Participants one or more other employees (by name or position) for participation. Participation in the Plan is on a Performance Period by Performance Period basis.

### **4. TARGET AWARDS AND PERFORMANCE GOALS**

4.1 **Target Award; Maximum Award.** On or prior to the Determination Date, the Committee will establish, in writing, (a) the Target Award for each Participant for the Performance Period, (b) the Performance Goals and target levels that must be attained to be eligible for a Performance Bonus Award, and (c) the formula, matrix or other objective standard to be used in determining the Performance Bonus Award, if any, payable to each Participant. The Maximum Award payable under the Plan to any Participant who is determined to be a covered employee for purposes of Section 162(m) of the Code with respect to a Year shall be \$3,000,000.

4.2 **Performance Goals.** The Performance Goals applicable to each Participant shall provide for a targeted level or levels of achievement using one or more of the following measures as to any Performance Period: (a) cash flow, (b) Cost Initiatives, (c) debt ratios and other measures of credit quality or liquidity, (d) earnings, (e) earnings per share, (f) economic profit, (g) economic value added, (h) enterprise value, (i) free cash flow, (j) margins (gross or net), (k) Market Share, (l) market value, (m) net income, (n) Operating Income, (o) return on assets, (p) Return on Capital, (q) Return on Equity, (r) return on investment, (s) revenue (gross or net), (t) stock price, (u) strategic objectives, and (v) total shareholder return.

4.3 **Measurement of Performance Goals.** Any Performance Goal used may be established and measured (a) in absolute terms, (b) in combination with another Performance Goal or Goals (for example, as a ratio or

## **Table of Contents**

matrix), (c) in relative terms (for example, as compared to results for other periods, as compared to another company or companies, or an index or indices), (d) on a per-share or per-capita basis, (e) against the performance of the Company as a whole or a specific business unit(s), business segment(s) or product(s) of the Company, (f) on a pre-tax or after-tax basis, and/or (g) on a GAAP (generally accepted accounting principles) or non-GAAP basis. Prior to the Determination Date, the Committee will determine whether the attainment of the Performance Goal shall be measured by adjusting the evaluation of the attainment of the Performance Goal to exclude (i) any extraordinary or non-recurring items as described in the applicable accounting rules, (ii) the effect of any changes in accounting principles affecting the reported results of the Company or a business unit, (iii) mergers and acquisitions, or (iv) any other adjustment consistent with the requirements of Section 162(m) of the Code.

**4.4 Effect of Mid-Year Commencement of Service.** If an executive commences service, or is promoted to, or demoted from, a position as an eligible employee after the adoption of the Plan and the Performance Goals and target levels for the Performance Period, the Committee may designate the executive as a Participant for purposes of the Performance Period, provided, any Performance Bonus Award is proportionately adjusted based on the period of actual service as a Participant during the Performance Period; *provided*, that the amount of any Performance Bonus Award paid to such person shall not exceed that proportionate amount of the Target Award for such Participant.

**4.5 Termination of Employment.** Unless otherwise determined by the Committee, no Participant will be eligible for a Performance Bonus Award unless the Participant is employed by the Company (or its Affiliate) on the date of payment. Notwithstanding the foregoing, if the Participant terminates employment during or after a Performance Period, but prior to payment on account of his or her death or Disability, the Participant (or his or her estate) shall be paid a prorated award determined for the portion of the Performance Period actually worked by such Participant.

## **5. CERTIFICATION AND PERFORMANCE BONUS AWARDS**

**5.1 Certification.** Following the end of each Performance Period, the Committee shall certify in writing prior to payment of the compensation that the Performance Goals for the Performance Period and any other material terms were satisfied for each Participant.

**5.2 Performance Bonus Awards.** The amount of the Performance Bonus Award shall be determined by applying the formula, matrix or other standard adopted by the Committee in accordance with Section 4.1 to the level of actual performance certified by the Committee. The Performance Bonus Award for a Participant shall not exceed the Maximum Award amount. The Committee has the discretion to reduce or eliminate (but not increase) the amount of the Performance Bonus Award otherwise payable.

## **6. PAYMENT OF AWARDS**

**6.1 Time of and Form of Payment.** Performance Bonus Awards shall be payable after the end of the Performance Period within 30 days following the determination and certification by the Committee. The date of such payment shall occur no later than the 15<sup>th</sup> day of the third month following the later of: (a) the last day of the Company's fiscal year in which the Performance Period ends or (b) the last day of the calendar year in which the Performance Period ends, in either case, in which the right to payment of the Performance Bonus Award is no longer subject to a substantial risk of forfeiture. Each Performance Bonus Award shall be paid in cash (or its equivalent) in a single lump sum payment.

**6.2 Deferrals.** The Committee may permit a Participant to defer receipt of the payment of a Performance Bonus Award that would otherwise be delivered to a Participant under the Plan. Any deferral elections shall be subject to such rules and procedures as shall be determined by the Committee and consistent with the requirements of Section 409A of the Code.



## **Table of Contents**

### **7. ADMINISTRATION**

**7.1 Administrator.** The members of the Committee shall be appointed from time to time by the Board. Subject to consultation and ratification by the Board, the Plan shall be administered by the Committee; *provided, however*, as required for qualified performance-based compensation under Section 162(m) of the Code, a Committee comprised solely of two or more outside directors shall have the authority to establish and administer the Performance Goals and to certify the level of attainment of the Performance Goals for Participants covered by Section 162(m).

**7.2 Authority.** The Committee shall have the duty to administer the Plan in accordance with its terms. The Committee shall have all powers and discretion necessary or appropriate to administer the Plan, including, but not limited to, the power and authority to (a) determine the Participants and the terms and conditions of awards, (b) interpret the Plan and awards, (c) adopt such procedures and rules for the administration and interpretation of the Plan consistent with the Plan, and (d) interpret, amend or revoke such rules. The Committee may delegate all or part of its authority and powers under the Plan to one or more directors and/or officers of the Company to the extent consistent with the requirements for qualified performance-based compensation under Section 162(m) of the Code.

**7.3 Decisions Binding.** All procedures, rules, determinations, interpretations and decisions of the Committee, the Board, and any delegate of the Committee pursuant to the terms of the Plan shall be final, binding, and conclusive on all persons for all purposes and shall be given the maximum deference permitted by law.

### **8. GENERAL PROVISIONS**

**8.1 No Right to Continued Employment.** Nothing in this Plan will be construed as conferring upon any Participant any right to continue in the employment of the Company or any of its subsidiaries or to receive any amounts under this Plan.

**8.2 No Transfer or Assignment of Benefits.** A Participant shall have no right to assign or transfer any interest under this Plan.

**8.3 Withholding.** The Company shall have the right to withhold all applicable taxes (and any other required amounts) from any payment, including any federal, state, or local taxes.

**8.4 Plan Unfunded.** Amounts payable under the Plan shall be paid from the general assets of the Company. The rights of any Participant shall be only those of an unsecured general creditor, and neither the Company nor the Board or the Committee shall be responsible for the adequacy of the general assets of the Company to meet and discharge Plan liabilities.

**8.5 Section 409A.** This Plan and all awards payable hereunder are intended to be exempt from the requirements of Section 409A of the Code ( *Section 409A* ) pursuant to the short-term deferral exemption, or in the alternative, will comply with the requirements of Section 409A so that none of the payments under the Plan will be subject to the additional tax imposed under Section 409A. The Plan shall be interpreted to the maximum extent possible to comply with Section 409A. Each payment under the Plan shall constitute a separate payment for purposes of Section 409A. The Company may, in good faith and without the consent of the Participant, make any amendments to this Plan and delay the payment of any amounts to comply with Section 409A. If the Participant is a specified employee on the date of his or her separation from service, solely to the extent required to comply with Section 409A, the date of payment will be delayed until the first business day following the six-month period following the Participant's separation from service.

**8.6 Governing Law.** The Plan and all awards shall be construed in accordance with and governed by the laws of the State of Colorado, excluding its conflicts of laws provisions.

**Table of Contents**

8.7 ***Amendment and Termination.*** The Board may amend, suspend or terminate the Plan at any time for any reason, except that no amendment will be effective without approval by the Company's stockholders if such approval is necessary to qualify amounts payable hereunder as qualified performance-based compensation under Section 162(m) of the Code.

8.8 ***Clawback of Awards.*** Notwithstanding any other provision of this Plan to the contrary, any award granted or amount payable or paid under this Plan shall be subject to the terms of any compensation recoupment or clawback policy then applicable, if any, of the Company, to the extent the policy applies to such award or amount.

8.9 ***Stockholder Approval; Effective Date of the Plan; Term.*** The effective date of the Plan is March 13, 2013, subject to the approval of the Company's stockholders before the date the compensation is paid. No amount shall be paid to any Participant under the Plan unless such stockholder approval has been obtained. Unless earlier terminated, the Plan shall continue in effect for five years following the date of approval by the Company's stockholders.

**Table of Contents**

**APPENDIX B**

**NATIONAL CINEMEDIA, INC.**

**2007 EQUITY INCENTIVE PLAN**

**Table of Contents**

**TABLE OF CONTENTS**

1.	<u>ESTABLISHMENT AND PURPOSE</u>	<b>Page</b> B-1
1.1	<u>Establishment</u>	B-1
1.2	<u>Purpose</u>	B-1
2.	<u>DEFINITIONS</u>	B-1
3.	<u>PLAN ADMINISTRATION</u>	B-6
3.1	<u>General</u>	B-6
3.2	<u>Authority of the Committee</u>	B-7
3.3	<u>Deferral Arrangement</u>	B-7
3.4	<u>No Liability</u>	B-8
3.5	<u>Book Entry</u>	B-8
4.	<u>STOCK SUBJECT TO THE PLAN</u>	B-8
4.1	<u>Number of Shares</u>	B-8
4.2	<u>Individual Award Limits.</u>	B-8
4.3	<u>Share Counting</u>	B-8
4.4	<u>Substitute Awards</u>	B-8
5.	<u>ELIGIBILITY AND PARTICIPATION</u>	B-8
6.	<u>STOCK OPTIONS</u>	B-8
6.1	<u>Grant of Options</u>	B-8
6.2	<u>Award Agreement</u>	B-9
6.3	<u>Exercise of Option</u>	B-9
6.4	<u>Termination of Service</u>	B-10
6.5	<u>Limitations on Incentive Stock Options</u>	B-10
6.6	<u>Transferability</u>	B-10
6.7	<u>Family Transfers</u>	B-10
6.8	<u>Rights of Holders of Options</u>	B-10
7.	<u>STOCK APPRECIATION RIGHTS</u>	B-10
7.1	<u>Grant of Stock Appreciation Rights</u>	B-10
7.2	<u>Award Agreement</u>	B-11
7.3	<u>Exercise of Stock Appreciation Right</u>	B-11
7.4	<u>Effect of Exercise</u>	B-11
7.5	<u>Termination of Service</u>	B-11
7.6	<u>Transferability</u>	B-11
8.	<u>RESTRICTED STOCK AND RESTRICTED STOCK UNITS</u>	B-12
8.1	<u>Grant of Restricted Stock or Restricted Stock Units</u>	B-12
8.2	<u>Award Agreement</u>	B-12
8.3	<u>Restrictions on Transfer</u>	B-12
8.4	<u>Forfeiture; Other Restrictions</u>	B-12
8.5	<u>Restricted Stock Units</u>	B-12
8.6	<u>Termination of Service</u>	B-12
8.7	<u>Stockholder Privileges</u>	B-12
8.8	<u>Purchase of Restricted Stock</u>	B-12
9.	<u>PERFORMANCE AWARDS</u>	B-13
9.1	<u>Grant of Performance Awards</u>	B-13
9.2	<u>Value of Performance Shares or Units</u>	B-13

9.3 Achievement of Performance Goals

B-14

B-i

**Table of Contents**

**TABLE OF CONTENTS**

		<b>Page</b>
9.4	<u>Payment of Performance Awards</u>	B-14
9.5	<u>Termination of Service</u>	B-14
9.6	<u>Transferability</u>	B-14
10.	<u>OTHER STOCK-BASED AWARDS</u>	B-14
11.	<u>DIVIDEND EQUIVALENTS</u>	B-14
12.	<u>TAX WITHHOLDING</u>	B-15
13.	<u>PARACHUTE LIMITATIONS</u>	B-15
14.	<u>EFFECT OF CHANGES IN CAPITALIZATION</u>	B-16
14.1	<u>Changes in Stock</u>	B-16
14.2	<u>Change of Control</u>	B-16
14.3	<u>Reorganization in Which the Company Is the Surviving Entity and in Which No Change of Control Occurs</u>	B-16
14.4	<u>Adjustment</u>	B-17
14.5	<u>No Limitations on the Company</u>	B-17
15.	<u>REQUIREMENTS OF LAW</u>	B-17
15.1	<u>General</u>	B-17
15.2	<u>Rule 16b-3</u>	B-18
16.	<u>GENERAL PROVISIONS</u>	B-18
16.1	<u>Disclaimer of Rights</u>	B-18
16.2	<u>Nontransferability of Awards</u>	B-18
16.3	<u>Changes in Accounting or Tax Rules</u>	B-18
16.4	<u>Nonexclusivity of the Plan</u>	B-18
16.5	<u>Captions</u>	B-18
16.6	<u>Other Award Agreement Provisions</u>	B-18
16.7	<u>Other Employee Benefits</u>	B-19
16.8	<u>Severability</u>	B-19
16.9	<u>Governing Law</u>	B-19
16.10	<u>Section 409A</u>	B-19
17.	<u>AMENDMENT, MODIFICATION AND TERMINATION</u>	B-20
17.1	<u>Amendment, Modification, and Termination</u>	B-20
17.2	<u>Awards Previously Granted</u>	B-20
18.	<u>STOCKHOLDER APPROVAL; EFFECTIVE DATE OF PLAN</u>	B-20
19.	<u>DURATION</u>	B-20

## Table of Contents

### NATIONAL CINEMEDIA, INC.

#### 2007 EQUITY INCENTIVE PLAN

#### 1. ESTABLISHMENT AND PURPOSE

1.1 **Establishment.** National CineMedia, Inc., a Delaware corporation (the *Company*), established the National CineMedia, Inc. 2007 Equity Incentive Plan (the *Plan*). The Plan, as amended and restated was approved by the stockholders of the Company on April 26, 2011. The Plan was subsequently amended to incorporate changes to Section 4.3, Share Counting and Section 3.2, Authority of the Committee. Section 4.1 of the Plan, Number of Shares, Section 9.2, Value of Performance Shares or Units, and Section 9.3, Achievement of Performance Goals, were also amended, subject to approval by the stockholders of the Company. This document incorporates all such amendments (assuming stockholder approval for such amendments that require stockholder approval). The Plan permits the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, and other stock-based and cash awards in accordance with the terms hereof.

1.2 **Purpose.** The Plan is intended to enhance the Company's and its Affiliates' (as defined herein) ability to attract and retain highly qualified officers, directors, key employees, and other persons, and to motivate such persons to serve the Company and its Affiliates and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company.

#### 2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

2.1 **Affiliate** means with respect to the Company, (i) any company or other trade or business that controls, is controlled by or is under common control with the Company within the meaning of Rule 405 of Regulation C under the Securities Act, including without limitation, any Subsidiary, (ii) any corporation or other entity controlling, controlled by, or under common control with the Company, including any member of an affiliated group of which the Company is a common parent corporation or subsidiary corporation (within the meaning of Section 424 of the Code), and (iii) National CineMedia, LLC.

2.2 **Award** means a grant under the Plan of an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, or Other Stock-Based Award.

2.3 **Award Agreement** means the written or electronic agreement setting forth the terms and conditions applicable to each Award. The Award Agreement is subject to the terms and conditions of the Plan. In the event of any inconsistency between the provisions of the Plan and any Award Agreement, the provisions of the Plan shall govern, except to the extent the Plan would be considered to provide an additional benefit as determined under Sections 409A and 424 of the Code.

2.4 **Benefit Arrangement** means as defined in Section 13.

2.5 **Board** or **Board of Directors** means the board of directors of National CineMedia, Inc.

2.6 **Business Combination** means as defined in Section 2.8.

2.7 **Cause** means, as determined by the Committee and unless otherwise provided in an employment, a consulting or other services agreement, if any, between the Service Provider and the Company or an Affiliate, (i) any willful breach of any material written policy of the Company or an Affiliate that results in material and demonstrable liability or loss to the Company or the Affiliate; (ii) engaging in any conduct involving moral

## **Table of Contents**

turpitude that causes material and demonstrable injury, monetarily or otherwise, to the Company or an Affiliate, including, but not limited to, misappropriation or conversion of assets of the Company or an Affiliate (other than immaterial assets); (iii) a conviction of or entry of a plea of nolo contendere to a felony; or (iv) a material breach by the Service Provider of any term of any employment, consulting or other services, confidentiality, intellectual property or non-competition agreements, if any, between the Service Provider and the Company or an Affiliate. No act or failure to act by the Service Provider shall be deemed willful if done, or omitted to be done, by him or her in good faith and with the reasonable belief that his or her action or omission was in the best interest of the Company or an Affiliate.

2.8 ***Change of Control*** means and shall be deemed to have occurred upon the occurrence of:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a ***Person***) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (x) the then outstanding shares of common stock of the Company (the ***Outstanding Company Common Stock***) or (y) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the ***Outstanding Company Voting Securities***); *provided, however*, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (A) or (B) of paragraph (iv) below, or (E) any acquisition by a Founding Member; or

(ii) The acquisition by any Person, other than a Founding Member, of the right to (A) elect or (B) nominate for election or (C) designate for nomination pursuant to a Director Designation Agreement dated February 13, 2007 among the Company and the Founding Members, a majority of the members of the Company's Board; or

(iii) The acquisition by any Person, other than the Company or a Founding Member, of beneficial ownership of more than 50% of the Units of NCM LLC; or

(iv) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or an acquisition of assets of another corporation (a ***Business Combination***), in each case, unless, following such Business Combination, (A) (x) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; and (y) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were individuals who, as of the Effective Date, constitute the Board (the ***Incumbent Board***); *provided, however*, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board or was designated pursuant to a Director Designation Agreement dated February 13, 2007 among the Company and the Founding Members shall be considered as though such individual were a member of the Incumbent Board, at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination or (B) the Founding Members beneficially own, more than 50% of, respectively,



## **Table of Contents**

the outstanding shares of common stock or voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination; or

(v) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company; or

(vi) Approval by the members of NCM LLC of a complete liquidation or dissolution of NCM LLC.

2.9 **Code** means the Internal Revenue Code of 1986, as amended, and the regulations, interpretations, and administrative guidance issued thereunder.

2.10 **Committee** means the Compensation Committee of the Board or any committee designated by the Board to administer the Plan, or if no committee is appointed, the Board. The Compensation Committee or the Board may designate one or more subcommittees to (i) consist solely of persons who satisfy the applicable requirements of any stock exchange or national market system on which the shares of Stock may be listed, (ii) consist solely of persons who qualify as an outside director within the meaning of Section 162(m) of the Code, and (iii) consist solely of persons who qualify as a non-employee director within the meaning of Rule 16b-3 promulgated under the Exchange Act.

2.11 **Company** means National CineMedia, Inc., a Delaware corporation.

2.12 **Corporate Event** means an event described in Section 14.1.

2.13 **Disabled** or **Disability** means, unless otherwise provided in an employment, a consulting or other services agreement, if any, between the Participant and the Company or an Affiliate, the Participant is unable to perform each of the essential duties of such Participant's position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than 12 months; provided that, the following shall apply:

(a) With respect to rules regarding expiration of an Incentive Stock Option following termination of the Participant's Service, Disability has the meaning set forth in Section 22(e)(3) of the Code.

(b) With respect to any Award subject to Section 409A of the Code, the Participant is: (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; (ii) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, is receiving income replacement benefits for a period of not less than three months under an accident or health plan covering employees of the Participant's employer; or (iii) determined to be totally disabled by the Social Security Administration.

2.14 **Dividend Equivalents** means any right granted under Section 11.

2.15 **Effective Date** means the effective date of the Plan, February 6, 2007, the date the Plan was approved by the Board.

2.16 **Employee** means any individual who is a common-law employee of the Company or an Affiliate determined in accordance with the Company's standard personnel policies and practices.

2.17 **Exchange Act** means the U.S. Securities Exchange Act of 1934, as it may be amended from time to time, or any successor act thereto.

## **Table of Contents**

2.18 **Exercise Price** means the price at which a share of Stock may be purchased pursuant to the exercise of an Option.

2.19 **Fair Market Value** means the value of a share of Stock as of a particular date, determined as follows: (a) the closing sale price reported for such share on the national securities exchange or national market system on which such stock is principally traded, or if no sale of shares is reported for such trading day, on the next preceding day on which a sale was reported, or (b) if the shares of Stock are not then listed on a national securities exchange or national market system, or the value of such shares is not otherwise determinable, such value as determined by the Committee in good faith in its sole discretion consistent with the requirements under Section 409A of the Code; notwithstanding the foregoing, the Fair Market Value of a share of Stock for purposes of Awards (other than NCM LLC Substitute Awards and other Substitute Awards) with a Grant Date as of the Company's initial public offering shall be the price per share of Stock in such initial public offering, as determined by the Committee.

2.20 **Family Member** means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of the Participant, a trust in which any one or more of these persons have more than fifty percent (50%) of the beneficial interest, a foundation in which any one or more of these persons (or the Participant) control the management of assets, and any other entity in which one or more of these persons (or the Participant) own more than fifty percent (50%) of the voting interests; provided, however, that to the extent required by applicable law, the term Family Member shall be limited to a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of the Participant or a trust or foundation for the exclusive benefit of any one or more of these persons.

2.21 **Founding Member** means as such term is defined in the Limited Liability Company Operating Agreement.

2.22 **Good Reason** means, unless otherwise provided in an employment, a consulting or other services agreement, if any, between the Service Provider and the Company or an Affiliate, (i) reduction in the Service Provider's base salary, (ii) a diminution of the Service Provider's title, office, position or authority, excluding for this purpose an action not taken in bad faith and which is remedied within twenty (20) days after receipt of written notice thereof given by the Service Provider, (iii) the assignment to the Service Provider of any duties inconsistent with the Service Provider's position (including status or reporting requirements), authority, or material responsibilities, or the removal of the Participant's authority or material responsibilities, excluding for this purpose an action not taken in bad faith and which is remedied by the Company within twenty (20) days after receipt of notice thereof given by the Service Provider, (iv) a transfer of the Service Provider's primary workplace by more than fifty (50) miles from the current workplace, or (v) a material breach of any term of any employment, consulting or other services agreement, if any, between the Service Provider and the Company or an Affiliate by the Company which is not remedied within twenty (20) days after receipt of written notice thereof given by the Service Provider.

2.23 **Grant Date** means, as determined by the Committee, the latest to occur of (i) the date on which the Committee approves an Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under Section 5, or (iii) such other date as may be specified by the Committee in the Award Agreement.

2.24 **Grant Price** means the per share exercise price of a Stock Appreciation Right granted to a Participant under Section 7.

2.25 **Incentive Stock Option** means an Option to purchase shares of Stock designated as an Incentive Stock Option that is intended to meet the requirements of Section 422 of the Code.

## **Table of Contents**

2.26 ***Incumbent Board*** means as defined in Section 2.8.

2.27 ***Limited Liability Company Operating Agreement*** means the Third Amended and Restated Limited Liability Company Operating Agreement of National CineMedia, LLC, dated as of February 13, 2007, by and among the members of National CineMedia LLC, as it may be amended, modified or replaced from time to time.

2.28 ***Minimum Statutory Withholding*** means as defined in Section 12.

2.29 ***National CineMedia, LLC*** means National CineMedia, LLC, a Delaware limited liability company.

2.30 ***NCM LLC Substitute Awards*** means Awards granted in substitution for outstanding unit options and restricted units granted to employees of National CineMedia, LLC, in connection with its reorganization and related transactions pursuant to the initial public offering of the Company. The terms and conditions of NCM LLC Substitute Awards shall comply with the requirements for substitutions of awards made in connection with a corporate transaction or certain other adjustments that are not treated as modifications under Regulation § 1.424-1 and Section 409A of the Code, as applicable.

2.31 ***Non-Qualified Stock Option*** means any Option other than an Incentive Stock Option.

2.32 ***Option*** means an option to purchase one or more shares of Stock at a stated or formula price for a specified period of time. An Option granted under the Plan shall be either an Incentive Stock Option or a Non-Qualified Stock Option.

2.33 ***Other Agreement*** means as defined in Section 13.

2.34 ***Other Stock-Based Award*** means an equity-based Award that is granted to a Participant under Section 10.

2.35 ***Outstanding Company Common Stock*** means as defined in Section 2.8.

2.36 ***Outstanding Company Voting Securities*** means as defined in Section 2.8.

2.37 ***Parachute Payment*** means as defined in Section 13.

2.38 ***Participant*** means any eligible individual as defined in Section 5 who is granted an Award under the Plan.

2.39 ***Performance Award*** means an Award made subject to the achievement of performance goals granted under Section 9, denominated in shares of Stock ( ***Performance Shares*** ) or units ( ***Performance Units*** ), the value of which at the time it is payable is determined based upon the extent to which the corresponding performance goals have been achieved.

2.40 ***Performance Period*** means the period of time during which the performance goals must be achieved in order to determine the degree of vesting or payout with respect to an Award, not to exceed ten (10) years. Performance Periods may be overlapping.

2.41 ***Person*** means as defined in Section 2.8.

2.42 ***Plan*** means this National CineMedia, Inc. 2007 Equity Incentive Plan, as amended from time to time.

2.43 ***Purchase Price*** means the purchase price for each share of Stock pursuant to a grant of Restricted Stock.

## **Table of Contents**

- 2.44 ***Restricted Stock*** means an Award of shares of Stock granted under Section 8.
- 2.45 ***Restricted Stock Unit*** or ***RSU*** means a bookkeeping entry representing the equivalent of shares of Stock granted under Section 8.
- 2.46 ***Restriction Period*** means the period during which Restricted Stock and Restricted Stock Units are subject to a substantial risk of forfeiture (based upon the passage of time, the achievement of performance goals or upon the occurrence of other events as determined by the Committee, in its discretion), as provided in Sections 8.3 and 8.4.
- 2.47 ***Securities Act*** means the U.S. Securities Act of 1933, as it may be amended from time to time, or any successor act thereto.
- 2.48 ***Service*** means service as a Service Provider to the Company or an Affiliate. Unless otherwise stated in the applicable Award Agreement, a Participant's change in position or duties shall not result in interrupted or terminated Service, so long as such Participant continues to be a Service Provider to the Company or an Affiliate. Subject to the preceding sentence, whether a termination of Service shall have occurred for purposes of the Plan shall be determined by the Committee, which determination shall be final, binding and conclusive.
- 2.49 ***Service Provider*** means an employee, officer or director of the Company or an Affiliate, or a consultant or adviser currently providing services to the Company or an Affiliate.
- 2.50 ***Stock*** or ***Common Stock*** means a share of National CineMedia, Inc., common stock, \$0.01 par value per share.
- 2.51 ***Stock Appreciation Right*** or ***SAR*** means an Award granted under Section 7.
- 2.52 ***Subsidiary*** means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.
- 2.53 ***Substitute Awards*** means Awards (excluding NCM LLC Substitute Awards) granted in substitution for, or in assumption of, outstanding awards previously granted by an entity acquired by the Company or a Subsidiary or an Affiliate or with which the Company or Subsidiary or Affiliate combines. The terms and conditions of any Substituted Awards shall comply with the requirements for substitutions or assumptions of awards made in connection with a corporate transaction or certain other adjustments that are not treated as modifications under Regulation § 1.424-1 and Section 409A of the Code, as applicable.

## **3. PLAN ADMINISTRATION**

3.1 ***General.*** The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Company's certificate of incorporation and bylaws and applicable law. The Board shall have the power and authority to delegate its responsibilities hereunder to the Committee, which shall have full power and authority to act in accordance with its charter, and with respect to the authority of the Board to act hereunder, all references to the Board shall be deemed to include a reference to the Committee, to the extent such power or responsibilities have been delegated. Except as otherwise may be required by applicable law, regulatory requirement or the certificate of incorporation or the bylaws of the Company, the Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award or any Award Agreement, and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan, any Award or any Award Agreement. The interpretation and construction by the Board of any provision of the Plan, any Award or any Award Agreement shall be final, binding and conclusive.

## **Table of Contents**

**3.2 Authority of the Committee.** The Board from time to time may delegate to one or more Committees such powers and authorities related to the administration and implementation of the Plan, as set forth in this Section 3 and in other applicable provisions, as the Board shall determine. Unless otherwise expressly determined by the Board, any such action or determination by the Committee shall be final, binding and conclusive. To the extent permitted by law, the Committee may delegate its authority under the Plan to a member of the Board or an executive officer of the Company. Subject to the other terms and conditions of the Plan, the Committee shall have full and final authority, including but not limited to:

- (a) designate Participants;
- (b) determine the type or types of Awards to be made to a Participant;
- (c) determine the number of shares of Stock to be subject to an Award;
- (d) establish the terms and conditions of each Award (including, but not limited to, the Exercise Price of any Option, the Grant Price of any Stock Appreciation Right, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer, or forfeiture of an Award or the shares of Stock subject thereto, and any terms or conditions that may be necessary to qualify Options as Incentive Stock Options);
- (e) prescribe the form of each Award Agreement; and
- (f) amend, modify, or supplement the terms of any outstanding Award including the authority to modify Awards to foreign nationals or individuals who are employed outside the United States to recognize differences in local law, tax policy, or custom.

Notwithstanding the foregoing, no amendment or modification may be made to an outstanding Option or Stock Appreciation Right that (i) causes the Option or Stock Appreciation Right to become subject to Section 409A of the Code, (ii) reduces the Exercise Price or Grant Price, either by lowering the Exercise Price or Grant Price or by canceling the outstanding Option or Stock Appreciation Right and granting a replacement award in the form of cash, Option or Stock Appreciation Right with a lower Exercise Price or Grant Price, or (iii) would be treated as a repricing under the rules of the exchange upon which shares of Stock of the Company trade, without, with respect to item (i), the Participant's written prior approval, and with respect to items (ii) and (iii), without the approval of the stockholders of the Company, provided, that, appropriate adjustments may be made to outstanding Options and Stock Appreciation Rights pursuant to Section 14.

As a condition to any Award, the Committee shall have the right, at its discretion, to require Participants to return to the Company Awards previously granted under the Plan. The Committee shall have the right, in its discretion, to make Substitute Awards. Subject to the terms and conditions of the Plan, any such subsequent Award shall be upon such terms and conditions as are specified by the Committee at the time the new Award is granted. The Company may retain the right in an Award Agreement to cause a forfeiture of the gain realized by a Participant on account of actions taken by the Participant in violation or breach of or in conflict with any non-competition agreement, any agreement prohibiting solicitation of employees or clients of the Company or any Affiliate thereof or any confidentiality obligation with respect to the Company or any Affiliate thereof or otherwise in competition with the Company or any Affiliate thereof, to the extent specified in such Award Agreement applicable to the Participant. Furthermore, the Company may annul an Award if the Participant is an employee of the Company or an Affiliate thereof and is terminated for Cause as defined in the applicable Award Agreement or the Plan, as applicable.

**3.3 Deferral Arrangement.** The Committee may permit or require the deferral of any Award payment into a deferred compensation arrangement, subject to such rules and procedures as it may establish in accordance with Section 409A of the Code, which may include provisions for the payment or crediting of interest or Dividend Equivalents, including converting such credits into deferred Stock units.

## **Table of Contents**

3.4 **No Liability.** No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan, any Award or any Award Agreement.

3.5 **Book Entry.** Notwithstanding any other provision of this Plan to the contrary, the Company may elect to satisfy any requirement under this Plan for the delivery of stock certificates through the use of book-entry.

## **4. STOCK SUBJECT TO THE PLAN**

4.1 **Number of Shares.** Subject to adjustment as provided in Section 14, the maximum number of shares of Stock available for issuance under the Plan shall be 12,876,000 shares (including NCM LLC Substitute Awards). Subject to adjustment as provided in Section 14, 500,000 shares of Stock available for issuance under the Plan shall be available for issuance pursuant to Incentive Stock Options. Such maximum numbers may be increased from time to time by approval of the Board and by the stockholders of the Company if, in the opinion of counsel for the Company, stockholder approval is required. Stock issued or to be issued under the Plan shall be authorized but unissued shares; or, to the extent permitted by applicable law, issued shares that have been reacquired by the Company.

4.2 **Individual Award Limits.** Subject to adjustment as provided in Section 14, the maximum number of shares of Stock that may be covered by an Award granted under the Plan (other than NCM LLC Substitute Awards and other Substitute Awards) to a single Participant in any calendar year shall not exceed 500,000 shares. The maximum dollar amount that may be awarded (other than NCM LLC Substitute Awards and other Substitute Awards) to a single Participant in any calendar year shall not exceed \$5,000,000.

4.3 **Share Counting.** The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of Substitute Awards or tandem Awards) and make adjustments in accordance with Section 14. If the Exercise Price of any Option granted under the Plan, or if pursuant to Section 12 the tax withholding obligation of any Participant with respect to an Option or other Award, is satisfied by tendering shares of Stock to the Company (either by actual delivery or by attestation) or by withholding shares of Stock, the number of shares of Stock tendered or withheld shall be deemed delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan. In other words, these shares will not be available for reissuance under the Plan. To the extent that an Award under the Plan is canceled, expired, forfeited, settled by issuance of fewer shares than the number underlying the Award, or otherwise terminated without delivery of shares to the Participant, the shares of Stock retained or returned to the Company will be available under the Plan.

4.4 **Substitute Awards.** In the case of other Substitute Awards (excluding NCM LLC Substitute Awards), the shares of Stock subject to the Substitute Award shall not be counted against the number of shares reserved under the Plan.

## **5. ELIGIBILITY AND PARTICIPATION**

Individuals eligible to participate in this Plan include all Service Providers of the Company, or any Affiliate; *provided, however*, to the extent required under Section 409A of the Code, an Affiliate of the Company shall include only an entity in which the Company possesses at least twenty percent (20%) of the total combined voting power of the entity's outstanding voting securities or such other threshold ownership percentage permitted under Section 409A of the Code. Subject to the provisions of this Plan, the Committee may, from time to time, select from all eligible individuals, those individuals to whom Awards shall be granted. An eligible person may receive more than one Award, subject to such restrictions as are provided herein.

## **6. STOCK OPTIONS**

6.1 **Grant of Options.** Subject to the provisions of this Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion; provided that Incentive Stock Options may be granted only to eligible Employees of the Company or of any parent corporation or subsidiary corporation (as permitted by Section 422 of the Code).

## **Table of Contents**

**6.2 Award Agreement.** Each Option granted under the Plan shall be evidenced by an Award Agreement that shall specify the Exercise Price, the number of shares of Stock covered by the Option, the maximum duration of the Option, the conditions upon which an Option shall become vested and exercisable and such other provisions as the Committee shall determine, consistent with the terms of the Plan. The Award Agreement shall specify whether the Option is intended to be an Incentive Stock Option or a Non-Qualified Stock Option.

(a) **Exercise Price.** The Exercise Price for each Option shall be as determined by the Committee and shall be specified in the Award Agreement. The Exercise Price shall be: (i) not less than one hundred percent (100%) of the Fair Market Value of a share of Stock on the Grant Date, (ii) set at a premium to the Fair Market Value of a share of Stock on the Grant Date, or (iii) indexed to the Fair Market Value of a share of Stock on the Grant Date, with the index determined by the Committee, in its discretion; *provided, however*, with respect to NCM LLC Substitute Awards and other Substitute Awards, the Exercise Price is not required to be at least equal to the Fair Market Value on the Grant Date. In no case shall the Exercise Price of any Option be less than the par value of a share of Stock.

(b) **Number of Shares.** Each Award Agreement shall state that it covers a specified number of shares of Stock, as determined by the Committee.

(c) **Term.** Each Option shall terminate as set forth in the Award Agreement and all rights to purchase shares of Stock shall expire at such time as the Committee shall determine at the time of grant; *provided, however*, no Option shall be exercisable later than the tenth (10<sup>th</sup>) anniversary of the Grant Date, except as may be required with respect to NCM LLC Substitute Awards or other Substitute Awards.

(d) **Restrictions on Exercise.** The Award Agreement shall set forth any installment or other restrictions on exercise of the Option during the term of the Option. Each Option shall become exercisable and shall vest over such period of time, or upon such events, as determined by the Committee.

## **6.3 Exercise of Option.**

(a) **Manner of Exercise.** An Option granted hereunder shall be exercised, in whole or in part, by providing written or electronic notice, on a form provided by the Company, to the Committee (or an officer designated by the Committee), specifying the number of shares of Stock to be purchased and accompanied by full payment of the Exercise Price for the shares and satisfaction of any tax withholding requirements.

(b) **Payment.** A condition to the issuance or other delivery of shares of Stock as to which an Option shall be exercised shall be the payment of the Exercise Price and satisfaction of any tax withholding requirements. The Exercise Price of an Option shall be payable to the Company in full, in any method permitted under the Award Agreement, including: (i) in cash or in cash equivalents acceptable to the Company; (ii) by tendering (either by actual delivery or by attestation) unrestricted shares of Stock already owned by the Participant (for at least six (6) months or such other period as may be required by the Committee) on the date of surrender to the extent the shares of Stock have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the shares as to which such Option shall be exercised, provided that, in the case of an Incentive Stock Option, the right to make payment in the form of already owned shares of Stock may be authorized only at the time of grant, (iii) any other method approved or accepted by the Committee in its sole discretion, including, but not limited to a cashless (broker-assisted) exercise, or (iv) any combination of the foregoing. Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States dollars.

(c) **Delivery of Shares.** Promptly after the exercise of an Option by a Participant and the payment in full of the Exercise Price, such Participant shall be entitled to the issuance of certificates evidencing such Participant's ownership of the shares of Stock purchased upon exercise of the Option. Notwithstanding any other provision of this Plan to the contrary, the Company may elect to satisfy any requirement under this Plan for the delivery of certificates through the use of book-entry.

## **Table of Contents**

**6.4 Termination of Service.** Each Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's Service. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of Service.

## **6.5 Limitations on Incentive Stock Options.**

(a) **Initial Exercise.** The aggregate Fair Market Value of the shares of Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant in any calendar year, under the Plan or otherwise, shall not exceed \$100,000. For this purpose, the Fair Market Value of the shares of Stock shall be determined as of the Grant Date and each Incentive Stock Option shall be taken into account in the order granted.

(b) **Ten Percent Stockholders.** An Incentive Stock Option granted to a Participant who is the holder of record of more than ten percent (10%) of the combined voting power of all classes of stock of the Company shall have an Exercise Price at least equal to one hundred and ten percent (110%) of the Fair Market Value of a share of Stock on the Grant Date of the Option and the term of the Option shall not exceed five (5) years.

(c) **Notification of Disqualifying Disposition.** If any Participant shall make any disposition of shares of Stock acquired pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), the Participant shall notify the Company of such disposition within ten (10) days thereof.

**6.6 Transferability.** Except as provided in Section 6.7, during the lifetime of a Participant, only the Participant (or, in the event of legal incapacity or incompetency, the Participant's guardian or legal representative) may exercise an Option. Except as provided in Section 6.7, no Option shall be assignable or transferable by the Participant to whom it is granted, other than by will or the laws of descent and distribution.

**6.7 Family Transfers.** If authorized in the applicable Award Agreement, a Participant may transfer, not for value, all or part of an Option to any Family Member. For the purpose of this Section 6.7, a not for value transfer is a transfer which is (i) a gift, (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) unless applicable law does not permit such transfers, a transfer to an entity in which more than fifty percent (50%) of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. Following a transfer under this Section 6.7, any such Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Options are prohibited except to Family Members of the original Participant in accordance with this Section 6.7 or by will or the laws of descent and distribution. The events of termination of Service under an Option shall continue to be applied with respect to the original Participant, following which the Option shall be exercisable by the transferee only to the extent, and for the periods specified in the applicable Award Agreement.

**6.8 Rights of Holders of Options.** Unless otherwise stated in the applicable Award Agreement, an individual holding or exercising an Option shall have none of the rights of a stockholder of the Company (for example, the right to receive cash or dividend payments or distributions attributable to the subject shares of Stock or to direct the voting of the shares of Stock) until the shares of Stock covered thereby are fully paid and issued to such individual. Except as provided in Section 14 hereof, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

## **7. STOCK APPRECIATION RIGHTS**

**7.1 Grant of Stock Appreciation Rights.** Subject to the provisions of this Plan, Stock Appreciation Rights may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant freestanding Stock Appreciation Rights, Stock Appreciation Rights that are granted in tandem with an Option, or any combination thereof.



## **Table of Contents**

**7.2 Award Agreement.** Each Stock Appreciation Right shall be evidenced by an Award Agreement that shall specify the Grant Price, the number of shares of Stock covered by the Stock Appreciation Right, the maximum duration of the Stock Appreciation Right, the conditions upon which the Stock Appreciation Right shall become vested and exercisable and such other provisions as the Committee shall determine, consistent with the terms of the Plan.

(a) **Grant Price.** The Grant Price for each Stock Appreciation Right shall be determined by the Committee and shall be specified in the Award Agreement. Other than with respect to Substitute Awards, the Grant Price shall not be less than one hundred percent (100%) of the Fair Market Value of a share of Stock on the Grant Date of the Stock Appreciation Right.

(b) **Number of Shares.** Each Award Agreement shall state that it covers a specified number of shares of Stock, as determined by the Committee.

(c) **Term.** Each Stock Appreciation Right shall terminate and all rights with respect to the Stock Appreciation Right shall expire at such time as the Committee shall determine at the time of grant; *provided, however*, no Stock Appreciation Rights shall be exercisable later than the tenth (10<sup>th</sup>) anniversary of the Grant Date.

(d) **Restrictions on Exercise.** The Award Agreement shall set forth any installment or other restrictions on exercise of the Stock Appreciation Right during its term. Each Stock Appreciation Right shall become exercisable and shall vest over such period of time, or upon such events, as determined by the Committee (including based on achievement of performance goals or future service requirements).

**7.3 Exercise of Stock Appreciation Right.** A Participant desiring to exercise a Stock Appreciation Right shall give written or electronic notice, on a form provided by the Company, of such exercise to the Company with the information the Company deems reasonably necessary to exercise the Stock Appreciation Right. If a Stock Appreciation Right is issued in tandem with an Option, except as may otherwise be provided by the Committee, the Stock Appreciation Right shall be exercisable during the period that its related Option is exercisable. Upon the exercise of a Stock Appreciation Right, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The excess of the Fair Market Value of a share of Stock on the date of exercise over the Grant Price; by

(b) The number of shares of Stock with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Committee, the payment upon exercise may be in cash, shares of Stock or any combination thereof, or in any other manner approved by the Committee in its sole discretion. The Committee's determination as to the form of settlement shall be set forth in the Award Agreement.

**7.4 Effect of Exercise.** If a Stock Appreciation Right is issued in tandem with an Option, the exercise of the Stock Appreciation Right or the related Option will result in an equal reduction in the number of corresponding shares of Stock subject to the Option or Stock Appreciation Right that were granted in tandem with such Stock Appreciation Right and Option.

**7.5 Termination of Service.** Upon the termination of Service of a Participant, any Stock Appreciation Rights then held by such Participant shall be exercisable within the time periods, and upon the same conditions with respect to the reasons for termination of Service, as are specified in Section 6.4 with respect to Options.

**7.6 Transferability.** A Stock Appreciation Right shall only be transferable upon the same terms and conditions with respect to transferability, as are specified in Sections 6.6 and 6.7 with respect to Options.

## **Table of Contents**

### **8. RESTRICTED STOCK AND RESTRICTED STOCK UNITS**

**8.1 *Grant of Restricted Stock or Restricted Stock Units.*** Subject to the provisions of this Plan, the Committee at any time and from time to time, may grant shares of Restricted Stock or Restricted Stock Units to Participants in such amounts as the Committee shall determine.

**8.2 *Award Agreement.*** Each grant of Restricted Stock or Restricted Stock Units shall be evidenced by an Award Agreement that shall specify the Restriction Period, the number of shares of Restricted Stock or the number of Restricted Stock Units granted and such other provisions as the Committee shall determine.

**8.3 *Restrictions on Transfer.*** Except as provided in this Plan or an Award Agreement, the shares of Restricted Stock and Restricted Stock Units may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated until the end of the Restriction Period established by the Committee and specified in the Award Agreement (and in the case of Restricted Stock Units until the date of delivery or other payment), or upon earlier satisfaction or any other conditions, as specified by the Committee, in its sole discretion. All rights with respect to the Restricted Stock or Restricted Stock Units granted to a Participant shall be available during his or her lifetime only to such Participant, except as otherwise provided in an Award Agreement or at any time by the Committee.

**8.4 *Forfeiture; Other Restrictions.*** The Committee shall impose such other conditions and restrictions on any shares of Restricted Stock or Restricted Stock Units as it may deem advisable including a requirement that the Participant pay a specified amount to purchase each share of Restricted Stock, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions or restrictions under applicable laws or under the requirements of any stock exchange or market upon which shares of Stock are then listed or traded, or holding requirements or sale restrictions placed on the shares of Stock by the Company upon vesting of such Restricted Stock or Restricted Stock Units.

**8.5 *Restricted Stock Units.*** A holder of Restricted Stock Units shall have no rights other than those of a general creditor of the Company. Restricted Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement. Restricted Stock Units may be settled in cash or Stock, as determined by the Committee and set forth in the Award Agreement.

**8.6 *Termination of Service.*** Unless otherwise provided by the Committee in the applicable Award Agreement, upon the termination of a Participant's Service with the Company or an Affiliate, any shares of Restricted Stock or Restricted Stock Units held by such Participant that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited, and the Participant shall have no further rights with respect to such Awards, including but not limited to any right to vote Restricted Stock or any right to receive dividends with respect to Restricted Stock or Restricted Stock Units.

**8.7 *Stockholder Privileges.*** Unless otherwise determined by the Committee and set forth in the Award Agreement:

(a) A Participant holding shares of Restricted Stock shall have voting rights with respect to the shares during the Restriction Period. The Committee may provide in an Award Agreement that the Participant shall be entitled to receive Dividend Equivalents during the Restriction Period in accordance with Section 11.

(b) A Participant holding Restricted Stock Units shall have no rights of a stockholder of the Company with respect to the Restricted Stock Units. The Committee may provide in an Award Agreement that the holder of such Restricted Stock Units shall be entitled to receive Dividend Equivalents in accordance with Section 11.

**8.8 *Purchase of Restricted Stock.*** The Participant shall be required, to the extent required by applicable law, to purchase the shares of Restricted Stock from the Company at a Purchase Price equal to the greater of (i) the

## **Table of Contents**

aggregate par value of the shares of Stock represented by such Restricted Stock or (ii) the Purchase Price, if any, specified in the Award Agreement. The Purchase Price shall be payable in cash or in cash equivalents acceptable to the Company. In addition, to the extent the Award Agreement so provides, payment of the Purchase Price may be made in any other form that is consistent with applicable laws, regulations and rules, or, in the discretion of the Committee, in consideration for past Services rendered to the Company or an Affiliate. Upon the expiration or termination of the Restriction Period and the satisfaction of any other conditions prescribed by the Committee, having properly paid the Purchase Price, the restrictions applicable to Restricted Stock shall lapse, and, unless otherwise provided in the Award Agreement, a certificate for such shares of Stock shall be delivered, free of all such restrictions, to the Participant or the Participant's beneficiary or estate, as the case may be.

## **9. PERFORMANCE AWARDS**

**9.1 *Grant of Performance Awards.*** Subject to the provisions of this Plan, the Committee, at any time and from time to time, may grant Performance Shares or Performance Units to Participants in such amounts and upon such terms as the Committee shall determine.

**9.2 *Value of Performance Shares or Units.*** Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the Grant Date. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant.

(a) ***General.*** The Committee shall set performance goals in its discretion which, depending upon the extent to which the performance goals are achieved, will determine the number or value of Performance Shares or Performance Units that will be paid to the Participant.

(b) ***Covered Employees.*** The Committee may grant one or more Awards to Participants who are, or may become, covered employees designed to qualify as performance-based compensation under Section 162(m) of the Code with the grant, vesting or payout of such Awards contingent on the achievement of pre-established performance goals. For this purpose a covered employee is determined within the meaning of Section 162(m) of the Code.

(i) For such Awards, the Committee shall establish, in writing, (a) the Performance Goals (as defined in Section 9.2(b)(iii) below) and target levels that must be attained to be eligible for the grant, vesting or payout of the Award, and (b) the formula, matrix or other objective standard to be used in determining the amount earned by the Participant.

(ii) The maximum Award payable for this purpose to any Participant who is determined to be a covered employee for purposes of Section 162(m) of the Code with respect to any calendar year shall not exceed 500,000 shares for Awards payable in shares or \$5,000,000 for Awards payable in cash.

(iii) The Performance Goals applicable to each such Participant shall provide for a targeted level or levels of achievement using one or more of the following measures as to any Performance Period: (a) cash flow, (b) cost initiatives, (c) debt ratios and other measures of credit quality or liquidity, (d) earnings, (e) earnings per share, (f) economic profit, (g) economic value added, (h) enterprise value, (i) free cash flow, (j) margins (gross or net), (k) market share, (l) market value, (m) net income, (n) operating income, (o) return on assets, (p) return on capital, (q) return on equity, (r) return on investment, (s) revenue (gross or net), (t) stock price, (u) strategic objectives, and (v) total shareholder return.

(iv) Any Performance Goal used may be established and measured (a) in absolute terms, (b) in combination with another Performance Goal or Goals (for example, as a ratio or matrix), (c) in relative terms (for example, as compared to results for other periods, as compared to another company or companies, or an index or indices), (d) on a per-share or per-capita basis, (e) against the performance of the Company as a whole or a specific business unit(s), business segment(s) or product(s) of the Company, (f) on a pre-tax or after-tax basis, and/or (g) on a GAAP (generally accepted accounting

## **Table of Contents**

principles) or non-GAAP basis. Prior to the date the Performance Goals are determined for the Performance Period, the Committee will determine whether the attainment of the Performance Goal shall be measured by adjusting the evaluation of the attainment of the Performance Goal to exclude (1) any extraordinary or non-recurring items as described in the applicable accounting rules, (2) the effect of any changes in accounting principles affecting the reported results of the Company or a business unit, (3) mergers and acquisitions, or (4) any other adjustment consistent with the requirements of Section 162(m) of the Code.

### **9.3 Achievement of Performance Goals.**

(a) **General.** Subject to the provisions of this Plan, after the applicable Performance Period has been completed, the Committee shall determine the number of Performance Shares or value of Performance Units the Participant has earned over the Performance Period based upon the extent to which the performance goals have been achieved.

(b) **Covered Employees.** Following the end of each Performance Period, the Committee shall certify in writing prior to the grant, vesting or payout of an Award granted pursuant to Section 9.2(b), the extent to which the Performance Goals for the Performance Period and any other material terms were satisfied for each such Participant. The amount earned for a Participant shall not exceed the maximum Award amount set forth in Section 9.2(b). The Committee has the discretion to reduce or eliminate (but not increase) the amount of the Award otherwise payable.

**9.4 Payment of Performance Awards.** The time and form of payment of Performance Awards earned by the Participant shall be as determined by the Committee and as set forth in the Award Agreement. Any payment of shares of Stock may be granted subject to any restrictions deemed appropriate by the Committee. The Committee may provide in an Award Agreement for the payment of Dividend Equivalents in accordance with Section 11.

**9.5 Termination of Service.** Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain Performance Shares or Performance Units following termination of Service. Such provisions shall be determined in the sole discretion of the Committee and need not be uniform among all Awards of Performance Shares or Performance Units and may reflect distinctions based upon the reason for termination.

**9.6 Transferability.** Except as otherwise provided in an Award Agreement, Performance Awards may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by the laws of descent and distribution.

## **10. OTHER STOCK-BASED AWARDS**

From time to time during the duration of this Plan, the Committee may, in its sole discretion, adopt one or more incentive compensation arrangements for Participants pursuant to which the Participants may acquire shares of Stock under the Plan, whether by purchase, outright grant, or otherwise. Any such arrangements shall be subject to the general provisions of this Plan and all shares of Stock issued pursuant to such arrangements shall be issued under this Plan.

## **11. DIVIDEND EQUIVALENTS**

Subject to the terms of the Plan and any applicable Award Agreement, a Participant shall, if so determined by the Committee, be entitled to receive, currently, or on a deferred basis, dividends or Dividend Equivalents, with respect to the shares of Stock covered by the Award. The Committee may provide that any dividends paid on shares of Stock subject to an Award must be reinvested in additional shares of Stock, which may or may not

## **Table of Contents**

be subject to the same vesting conditions and restrictions applicable to the Award. Notwithstanding the award of Dividend Equivalents or dividends, a Participant shall not be entitled to receive a special or extraordinary dividend or distribution unless the Committee shall have expressly authorized such receipt. All distributions, if any, received by a Participant with respect to an Award as a result of any split, Stock dividend, combination of shares of Stock, or other similar transaction shall be subject to the restrictions applicable to the original Award. Notwithstanding the foregoing, with respect to Restricted Stock granted as NCM LLC Substitute Awards and Restricted Stock granted to directors immediately upon completion of the Company's initial public offering, during the Restriction Period, such Participants shall be entitled to receive regular cash dividends declared and paid with respect to the shares of Restricted Stock.

### **12. TAX WITHHOLDING**

The Company or any Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Participant any federal, state, or local taxes, domestic or foreign, of any kind required by law with respect to the vesting of or other lapse of restrictions applicable to Awards or upon the issuance of any shares of Stock or payment of any kind upon the exercise of any Options or Stock Appreciation Rights. At the time of such vesting, lapse, payment, or exercise, the Participant shall pay to the Company or Affiliate, as the case may be, any amount that the Company or Affiliate may reasonably determine to be necessary to satisfy such withholding obligation.

Subject to the prior approval of the Company or the Affiliate, which may be withheld by the Company or the Affiliate, as the case may be, in its sole discretion, the Participant may elect to have shares of Stock withheld or to deliver shares to satisfy the minimum statutory withholding rates for federal, state and local income taxes and employment taxes that are applicable to supplemental taxable income ( **Minimum Statutory Withholding** ) obligations. The Participant may elect to satisfy Minimum Statutory Withholding obligations, in whole or in part, (i) by causing the Company or the Affiliate to withhold shares of Stock otherwise issuable to the Participant or (ii) by delivering to the Company or the Affiliate shares of Stock already owned by the Participant (for any minimum period required by the Committee). The shares of Stock so delivered or withheld shall have an aggregate Fair Market Value not in excess of such withholding obligations. The Fair Market Value of the shares of Stock used to satisfy such withholding obligation shall be determined by the Committee as of the date that the amount of tax to be withheld is to be determined. A Participant who has made an election pursuant to this Section 12 may satisfy his or her withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

### **13. PARACHUTE LIMITATIONS**

Notwithstanding any other provision of this Plan or of any other agreement, contract, or understanding heretofore or hereafter entered into by a Participant with the Company or any Affiliate, except an agreement, contract, or understanding hereafter entered into that expressly modifies or excludes application of this Section 13 (an **Other Agreement** ), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Participant (including groups or classes of participants or beneficiaries of which the Participant is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Participant (a **Benefit Arrangement** ), if the Participant is a disqualified individual, as defined in Section 280G(c) of the Code, any Awards held by that Participant and any right to receive any payment or other benefit under this Plan shall not become exercisable or vested (i) to the extent that such right to exercise, vesting, payment, or benefit, taking into account all other rights, payments, or benefits to or for the Participant under this Plan, all Other Agreements, and all Benefit Arrangements, would cause any payment or benefit to the Participant under this Plan to be considered a parachute payment within the meaning of Section 280G(b)(2) of the Code as then in effect (a **Parachute Payment** ) and (ii) if, as a result of receiving a Parachute Payment, the aggregate after-tax amounts received by the Participant from the Company under this Plan, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Participant without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such right to exercise, vesting, payment, or benefit under this Plan,

## **Table of Contents**

in conjunction with all other rights, payments or benefits to or for the Participant under any Other Agreement or any Benefit Arrangement would cause the Participant to be considered to have received a Parachute Payment under this Plan that would have the effect of decreasing the after-tax amount received by the Participant as described in clause (ii) of the preceding sentence, then the amount payable to the Participant under any Benefit Arrangement in cash that constitutes a Parachute Payment shall first be reduced to the extent necessary, or eliminated, so as to avoid having the payment or benefit to the Participant under this Plan be deemed to be a Parachute Payment. Cash payable under any such Benefit Arrangement shall be reduced, or eliminated, in the order that such payments would be made to the Participant under the provisions of such Benefit Arrangement, with the payments to be made to the Participant at the earliest date reduced first and any required additional reductions made from cash payments with respect to any such Benefit Arrangement reduced in order of time of payment, so that the Benefit Arrangement payable in cash that would be paid furthest in time from the date of the event triggering the payments would be reduced or eliminated last.

### **14. EFFECT OF CHANGES IN CAPITALIZATION**

**14.1 *Changes in Stock.*** The number of shares of Stock for which Awards may be made under the Plan shall be proportionately increased or decreased for any increase or decrease in the number of shares of Stock on account of any recapitalization, reclassification, split, reverse split, combination, exchange, dividend or other distribution payable in shares of Stock, or for any other increase or decrease in such shares of Stock effected without receipt of consideration by the Company occurring after the Effective Date (any such event hereafter referred to as a

***Corporate Event*** ). In addition, subject to the exception set forth in the second sentence of Section 14.4, the number and kind of shares for which Awards are outstanding shall be proportionately increased or decreased for any increase or decrease in the number of shares of Stock on account of any Corporate Event. Any such adjustment in outstanding Options or Stock Appreciation Rights shall not increase the aggregate Exercise Price or Grant Price payable with respect to shares that are subject to the unexercised portion of an outstanding Option or Stock Appreciation Right, as applicable, and the adjustment shall comply with the requirements under Section 409A of the Code. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. Notwithstanding the foregoing, in the event of any distribution to the Company's stockholders of securities of any other entity or other assets (including an extraordinary cash dividend but excluding a non-extraordinary dividend payable in cash or in stock of the Company) without receipt of consideration by the Company, the Company shall proportionately adjust (i) the number and kind of shares subject to outstanding Awards and/or (ii) the Exercise Price per share of outstanding Options and the Grant Price of outstanding Stock Appreciation Rights to reflect such distribution. Notwithstanding the foregoing, upon the occurrence of any event or transaction contemplated in this Section 14.1, any changes contemplated herein shall be modified to the minimum extent necessary, in the sole discretion of the Committee, to avoid any tax that may otherwise become due under Section 409A of the Code.

**14.2 *Change of Control.*** Subject to the exception set forth in the second sentence of Section 14.4, if, within three months prior to or one year after the consummation of a Change of Control, a Participant's Service is terminated by either the Company, an Affiliate or a successor in interest to the Company or an Affiliate without Cause or by the Participant for Good Reason, then all of the Participant's Options and Stock Appreciation Rights outstanding hereunder shall become immediately exercisable and all outstanding other Awards shall be deemed to have vested, with all restrictions and conditions applicable to such Awards deemed lapsed.

Provision may be made in writing in connection with a Change of Control for the assumption or continuation of the Awards theretofore granted, or for the substitution for such Awards for new options, restricted stock or other equity awards relating to the stock or units of a successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number of shares or units (disregarding any consideration that is not common stock) and option prices, in which event the Awards theretofore granted shall continue in the manner and under the terms so provided.

**14.3 *Reorganization in Which the Company Is the Surviving Entity and in Which No Change of Control Occurs.*** Subject to the exception set forth in the second sentence of Section 14.4, if the Company shall be the

## **Table of Contents**

surviving entity in any reorganization, merger, or consolidation of the Company with one or more other entities and in which no Change of Control occurs, any Award theretofore made pursuant to the Plan shall pertain to and apply solely to the securities to which a holder of the number of securities subject to such Award would have been entitled immediately following such reorganization, merger, or consolidation, and, in the case of Options and Stock Appreciation Rights, with a corresponding proportionate adjustment of the Exercise Price or Grant Price per share so that the aggregate Exercise Price or Grant Price thereafter shall be the same as the aggregate Exercise Price or Grant Price of the shares of Stock remaining subject to the Option or Stock Appreciation Right immediately prior to such reorganization, merger, or consolidation. Subject to any contrary language in an Award Agreement evidencing any other Award, any restrictions applicable to such Award shall apply as well to any replacement shares of Stock received by the Participant as a result of the reorganization, merger or consolidation. Notwithstanding the foregoing, upon the occurrence of any event or transaction contemplated in this Section 14.3, any changes contemplated herein shall be modified to the minimum extent necessary, in the sole discretion of the Committee, to avoid any tax that may otherwise become due under Section 409A of the Code.

**14.4 *Adjustment.*** Adjustments under Section 14 related to shares of Stock or securities of the Company shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive. The Committee may provide in the Award Agreements at the time of Award, or any time thereafter with the consent of the Participant, for different provisions to apply to an Award in place of those described in Sections 14.1, 14.2 and 14.3. Notwithstanding the foregoing, any different provisions or changes to provisions contemplated herein shall be modified to the minimum extent necessary, in the sole discretion of the Committee, to avoid any tax that may otherwise become due under Section 409A of the Code.

**14.5 *No Limitations on the Company.*** The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

## **15. REQUIREMENTS OF LAW**

**15.1 *General.*** The Company shall not be required to issue or sell any shares of Stock under any Award if the issuance or sale of such shares would constitute a violation by the Participant, any other individual exercising an Option or Stock Appreciation Right, or the Company of any provisions of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the listing, registration or qualification of any shares subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares of Stock hereunder, no shares of Stock may be issued or sold to the Participant or any other individual exercising an Option or Stock Appreciation Right pursuant to such Award unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination of the Award. Specifically, in connection with the Securities Act, upon the exercise of any Option or the delivery of any shares of Stock underlying an Award, unless a registration statement under the Securities Act is in effect with respect to the shares of Stock covered by

such Award, the Company shall not be required to issue or sell such shares of Stock unless the Committee has received evidence satisfactory to it that the Participant or any other individual exercising an Option may acquire such shares of Stock pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Committee shall be final, binding, and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance or sale of shares of Stock pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable until the shares of Stock covered by such Option are registered or are exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

## **Table of Contents**

15.2 **Rule 16b-3.** During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Awards pursuant to the Plan and the exercise of Options granted hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Committee does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Committee, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Committee may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

## **16. GENERAL PROVISIONS**

16.1 **Disclaimer of Rights.** No provision in the Plan, in any Award or in any Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Company or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Company either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Company or any Affiliate. The obligation of the Company to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any participant or beneficiary under the terms of the Plan.

16.2 **Nontransferability of Awards.** Except as provided in Sections 6.6 and 7.6 or otherwise at the time of grant or thereafter, no right or interest of any Participant in an Award granted pursuant to the Plan, shall be assignable or transferable during the lifetime of the Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of a Participant's death, a Participant's rights and interests in Awards shall only be transferable by will or the laws of descent and distribution to the extent provided under this Plan, and payment of any amounts due thereunder shall be made to, and exercise of any Option or Stock Appreciation Right may be made by, the Participant's legal representatives, heirs or legatees. If in the opinion of the Committee a person entitled to payments or to exercise rights with respect to the Plan is unable to care for his or her affairs because of mental condition, physical condition or age, payment due such person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence satisfactory to the Committee of such status.

16.3 **Changes in Accounting or Tax Rules.** Except as provided otherwise at the time an Award is granted, notwithstanding any other provision of the Plan to the contrary, if, during the term of the Plan, any changes in the financial or tax accounting rules applicable to any Award shall occur which, in the sole judgment of the Committee, may have a material adverse effect on the reported earnings, assets or liabilities of the Company, the Committee shall have the right and power to modify as necessary, any then outstanding and unexercised Options, Stock Appreciation Rights and other outstanding Awards as to which the applicable services or other restrictions have not been satisfied.

16.4 **Nonexclusivity of the Plan.** The adoption of the Plan shall not be construed as creating any limitations upon the right and authority of the Committee to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Committee in its discretion determines desirable.

16.5 **Captions.** The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

16.6 **Other Award Agreement Provisions.** Each Award Agreement may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Committee, in its sole discretion.



## **Table of Contents**

**16.7 Other Employee Benefits.** The amount of any compensation deemed to be received by a Participant as a result of the exercise of an Option or Stock Appreciation Right, the sale of Shares received upon such exercise, the vesting of any Restricted Stock, receipt of Performance Shares, distributions with respect to Restricted Stock Units or Performance Units, or Other Stock-Based Awards shall not constitute earnings or compensation with respect to which any other employee benefits of such employee as determined, including without limitation, benefits under any pension, profit sharing, 401(k), life insurance or salary continuation plan.

**16.8 Severability.** If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

**16.9 Governing Law.** The validity and construction of this Plan and the Award Agreements shall be construed in accordance with and governed by the laws of the State of Delaware other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan and the Award Agreements to the substantive laws of any other jurisdiction.

### **16.10 Section 409A.**

(a) **Time and Form of Payment.** Notwithstanding anything contained in this Plan or in an Award Agreement to the contrary, the time and form of payment of an Award that is subject to the limitations imposed by Section 409A of the Code, shall be set forth in the applicable Award Agreement on or before the time at which the Participant obtains a legally binding right to the Award (or such other time permitted under Section 409A of the Code) and such time and form of payment shall comply with the requirements of Section 409A of the Code.

(b) **Delay in Payment.** Notwithstanding anything contained in this Plan or an Award Agreement to the contrary, if the Participant is deemed by the Company at the time of the Participant's separation from service with the Company to be a specified employee as determined under Section 409A of the Code, any nonqualified deferred compensation to which the Participant is entitled in connection with such separation from service after taking into account all applicable exceptions from Section 409A, shall not be paid or commence payment until the date that is the first business day following the six month period after the Participant's separation from service (or if earlier, the Participant's death). Such delay in payment shall only be effected with respect to each separate payment to the extent required to avoid adverse tax treatment to the Participant under Section 409A of the Code. Any compensation which would have otherwise been paid during the delay period (whether in a lump sum or in installments) in the absence of this Section 16.10 shall be paid to the Participant (or his or her beneficiary or estate) in a lump sum payment on the first business day following the expiration of the delay period.

(c) **Key Definitions.** For purposes of this Plan, the term termination of employment shall mean separation from service and the terms separation from service, specified employee and nonqualified deferred compensation shall have the meanings ascribed to the terms pursuant to Section 409A and other applicable guidance.

(d) **Amendments.** Notwithstanding anything in the Plan to the contrary, the Plan and Awards granted under the Plan are intended to be eligible for certain regulatory exceptions to the limitations of, or to comply with, the requirements of Section 409A of the Code. The Committee, in the exercise of its sole discretion and without the consent of the Participant, may amend or modify the terms of an Award in any manner and delay the payment of any amounts payable pursuant to an Award to the minimum extent necessary to reasonably comply with the requirements of Section 409A of the Code, provided that the Company shall not be required to assume any increased economic burden. No action taken by the Committee with respect to the requirements of Section 409A of the Code shall be deemed to adversely affect a Participant's rights with respect to an Award or to require the consent of such Participant. The Committee reserves the right to make additional changes to the Plan and Awards from time to time to the extent it deems necessary with respect to Section 409A of the Code.

**Table of Contents**

**17. AMENDMENT, MODIFICATION AND TERMINATION**

**17.1 *Amendment, Modification, and Termination.*** Subject to Sections 3.2, 16.10 and 17.2, the Board may at any time terminate, and from time to time may amend or modify the Plan provided, however, that no amendment or modification may become effective without approval of the stockholders of the Company if stockholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements, or if the Company, on the advice of counsel, determines that stockholder approval is otherwise necessary or desirable.

**17.2 *Awards Previously Granted.*** Except as otherwise may be required under Section 16.10, notwithstanding Section 17.1 to the contrary, no amendment, modification or termination of the Plan or Award Agreement shall adversely affect in any material way any previously granted Award, without the written consent of the Participant holding such Award.

**18. STOCKHOLDER APPROVAL; EFFECTIVE DATE OF PLAN**

The Plan was effective as of the Effective Date. The Plan, as amended and restated was approved by the stockholders of the Company on April 26, 2011.

**19. DURATION**

Unless sooner terminated by the Board, this Plan shall terminate automatically 10 years from the Effective Date. After the Plan is terminated, no Awards may be granted. Awards outstanding at the time the Plan is terminated shall remain outstanding in accordance with the terms and conditions of the Plan and the Award Agreement.

---

**Table of Contents**

**Table of Contents**